THE ROLE OF INTERNATIONAL MONETARY FUND IN ECONOMIC RECOVERY PROGRAMMES IN NIGERIA: THE CASE OFPRIVATIZATION, 1999 – 2006

BY

MAZAWAJE SANI KATARI, B.SC^{+} (B.U.K., 1981), M.SC (A.B.U., 1990), Ph.D/SOC. SCI/241436/2000/2001.

A DISSERTATION SUBMITTED TO THE POSTGRADUATE SCHOOL, AHMADU BELLO UNIVERSITY, ZARIA, IN PARTIAL FULFILLMENT OF THE REQUIREMENT FOR THE AWARD OF DOCTOR OF PHILOSOPHY DEGREE (Ph.D) IN POLITICAL SCIENCE.

DEPARTMENT OF POLITICAL SCIENCE;
AHMADU BELLO UNIVERSITY,
ZARIA

JUNE, 2008

DECLARATION

I, Mazawaje Sani Katari, with Registration No. PhD/SOC.SCI/24136/2000/201 hereby declare that this dissertation has been prepared by me in the Department of Political Science, A.B.U. Zaria; under the supervision of Professor Ejembi Anefu Unobe, late Dr. A. P. Odofin and Dr. K. Omojuwa. It is the product of my own research work. It has not been accepted in any previous application for a degree. It has also not been published either in part or whole anywhere in any form. All quotations are indicated by quotation marks or by identification and acknowledged by means of references.

……..…….. ……

Mazawaje Sani Katari **Date**

CERTIFICATION

This dissertation entitled: **"the role of the International Monetary Fund in Economic Recovery Programmes in Nigeria: The Case of Privatization; 1999 – 2006"** by Mazawaje Sani Katari, meets the requirements and regulations governing the award of Doctor of Philosophy (Phd) in Political Science of Ahmadu Bello University, Zaria and it is hereby approved for its contribution to knowledge and literary presentation.

…….. ……..
Professor Ejembi Anefu Unobe **Date**
Chairman, Supervising Committee

…….. ……
Late Doctor A. P. Odofin **Date**
Member, Supervisory Committee

…….. …….
Doctor K. Omojuwa **Date**
Member, Supervisory Committee

…….. …….
Doctor Kaoje M. Umar **Date**
Head of Department

…….. …….
External Examiner **Date**

……..
Dean, Post Graduate School
Ahmadu Bello University,
Zaria

DEDICATION

This work is dedicated to my late parents Mr. and Mrs. Mazawaje Makama Katari, who brought me up to be God fearing and to believe in hard-work and honesty as fundamental ingredients for meaningful progress in life.

ACKNOWLEDGEMENT

I am indebted to a good number of individuals and organizations for their contributions to the actualization of this research work. They are so numerous that it is impossible to list all of them here. However, I am compelled by my feeling of gratitude and appreciation to acknowledge the contributions of the followings:

My Supervisor, Prof. Ejembi Anefu Unobe who gave all his time and attention to me each time I visited him for consultation, advice and guidance. A proven hard-working scholar, Prof. Unobe was indeed the moving force behind this research. Without his prompting, constant and consistent encouragement perhaps this work would have fallen by the wayside. I say once more to my H.O.D and supervisor, thanks a million.

The memories of late Dr. A. P. Ladofin who passed on during the concluding stage of this study will for ever remain evergreen in my mind for his role in bringing this work to a successful completion. Apart from the assistance he rendered and his keen interest in the work the late enterprising scholar gave me a lot of encouragement on a constant basis. I miss him greatly.

To Dr. K. Omojuwa, I say a big thank you. His contributions opened new perspectives to the topic of this study. His observations were always intellectually robust incisive and penetrating. His personal assistance in the course of this research contributed to its success. For this and many more I am very grateful.

Professor Paul Izah's observations, critique and advice which were offered during my presentation of the proposal for this dissertation did not only help in shaping and refocusing the topic of the research, but served as a challenge which spurred me into more determination and resolve to see this research through. For this and many other contributions by him I say a big thank you.

The hardworking staff of the Kashim Ibrahim Library (KIL) who were always there to assist me in my numerous searches for vital source materials; I thank them immensely.

I also want to thank the managers and staff of the Libraries of the following institutions for their assistance when I visited them in search of research materials:- Bayero University, University of Jos, Usman Danfodio University, University of Lagos, CBN, University of Ibadan, Bureau of Public Enterprises, National council on privatization, Federal Ministry of finance, Nigerian Institute of International Affairs, Kaduna State Library, National Library, Kaduna.

I am grateful with Col. Abdullahi Danasabe (rtd) who is my intellectual soul mate and good friend for the ideas we shared and materials and funds he assisted me with in the course of this work. Also worthy of thanks and appreciation is Mallam Musa Abdulkadir for his unrelenting financial assistance which went a long way in actualizing this research work.

The Hon. Commissioner of Health, Kaduna State, Doctor Everton Yari, Peter who gave me some financial assistance which helped tremendously in the production of the final copies of this dissertation.

Above all I thank my wife and children for providing a conducive environment/atmosphere for my academic pursuit.

ABSTRACT

This study, "The Role of International Monetary Fund in Economic Recovery Programmes in Nigeria: The Case of Privatization, 1999 – 2006", examines the problems of economic development in Nigeria, vis-à-vis the economic recovery strategies prescribed by the International MonetaryFund (I.M.F.). The study focuses attention on Nigeria, drawing references and inferences from similar third world countries only for the purposes of expatriation. The study was prompted by the too much emphasis on the I.M.F. economic recovery policies especially privatization commenced in earnest and the tempo had been on the increase and heightened during the Obasanjo administration (1999 – 2006). The study's aim was to actually investigate the efficiency or relevance of the economic recovery policies. The study also had the aim of making recommendations as alternative approach to the resolution of Nigeria's economic problems. The problematic is the issue of economic underdevelopment that has persisted in spite of the feverish implementation of the economic recovery policies as prescribed by the I.M.F. The methodology adopted is the interview process with cross sections of the enlightened segments of the society and the dramatic personae in the whole process of implementation of the I.M.F. policies especially privatization. Content analysis was also used. The theoretical framework adopted was the underdevelopment and dependency theory (UDT), a derivative of the structuralist Marxist framework of analysis. The study found out that contrary to the claims that I.M.F. policies and privatization in particular would stimulate performance of the critical sectors of the economy and promote overall economic development, the reverse is the case. Most of the privatized enterprises have collapsed while the general economic situation in Nigeria and living standard of Nigerians has been on the decline. Corruption, infrastructure decay, unemployment, poverty, crime and general decline of the nation's development index have been the consequences of these exogenous economic policies in Nigeria and in the other similar third world countries. The study therefore dismisses the privatization exercise adopted by the Obasanjo administration and other I.M.F. economic reform policies as a rip off of the Nigerian people and other such countries. The study also found out that the economic crises even worsened with the introduction of the I.M.F. policies instead of solving the crisis. The research concluded with recommendations of a home-grown strategy for the resolution of the economic problems and general socio-economic backwardness in the country.

NOTES ON ABBREVIATIONS

*	I.M.F.	-	International Monetary Fund
*	B.P.E	-	Bureau of Public enterprises
*	B.O.T	-	Build, Operate and Transfer
*	B.O.T.T	-	Build, Operate, Train and Transfer
*	C.M.D.	-	Centre for Management Development
	D.F.I.D	-	Department For International Development
*	D.M.O.	-	Debt Management Office
*	E.O.Is	-	Expression of Interests
*	I.P.O	-	Initial Public Offer
*	F.D.I	-	Foreign direct Investment
*	N.C.P.	-	National Council on Privatization
*	T.C.P.C	-	Technical committee on Privatization and Commercialization
*	I.C.M.	-	International Capital Market
*	N.E.E.D.S	-	National economic Empowerment and Development Strategy
*	N.E.P.A.D	-	New Partnership For African Development
*	L.D.C.s	-	Least Developed Countries
*	M.D.Gs	-	Millennium Development Goals.
*	U.N.O	-	United Nations Organization
*	E.C.O.W.A.S-		economic Community of West African States
*	P.E.	-	Public Enterprises
*	S.O.Es	-	State Owned Enterprises
*	S.E.C	-	Securities and Exchange Commission
*	S.E	-	Stock Exchange

*	S.E.E.D.S	-	State Economic Empowerment and Development Strategy (The State Version of NEEDS)
*	P.S.I	-	Policy support Instrument (An arrangement approved by the I.MF. only)
*	A.G.O.A	-	African Growth Opportunity Act
*	S.A.P	-	Structural Adjustment Programme
*	I.B.R.D	-	International Bank for Reconstruction and Development (World Bank)
*	A.U.	-	African Union
*	A.D.P	-	Agricultural Development Programme
*	A.D.B	-	Africa Development Bank
*	A.S.U.U	-	Academic Staff Union of Universities
*	W.T.O	-	World Trade Organization
*	U.N.I.D.O	-	United Nations Industrial Development Organization
*	BBC	-	British Broadcasting Corporation
*	IDA	-	International Development Agency
*	EFF	-	Extended Fund Facility
*	GATT	-	General Agreement on Tariffs and Trade
*	SAP	-	Structural Adjustment programme
*	UNDP	-	United Nations Development Programme
*	PSBR	-	Public Sector Borrowing Requirement
*	NITEL	-	Nigerian Telecommunications Limited
*	NEPA	-	National Electric Power Authority
*	NRC	-	Nigerian Railway corporation
*	NICs	-	New Industrialized Countries
*	NUC	-	National Universities Commission
*	EFCC	-	Economic and Financial Crimes Commission
*	SOEs	-	State Owned Enterprises

*	ICPC	-	Independent Corrupt Practices Commission
*	CBN	-	Central Bank of Nigeria
*	CAC	-	Corporate Affairs commission
*	IST	-	Investment and Securities Tribunal
*	USAID	-	United State Agency for International Development
*	ISMN	-	Institute of Strategic management of Nigeria
*	NIIA	-	Nigerian Institute of International Affairs
*	NCEMA	-	National Centre for Economic management and Administration
*	HPAEs	-	High Performing Asian Economies (Japan, South Korea, Singapore, Malaysia, Taiwan, Hong Kong, Thailand and Indonesia)
*	NIPSS	-	National Institute of Policy and Strategy studies
*	A.G.M	-	Annual General Meeting
*	NES	-	Nigerian Economic Society
*	NSE	-	Nigerian Society of Engineers
*	N.B.A.	-	Nigerian Bar Association
*	NLC	-	Nigerian Labour Congress
*	NUT	-	Nigerian Union of Teachers
*	NRTW	-	Nigerian Road Transport Workers
*	NNPC	-	Nigerian National Petroleum corporation
*	FAA	-	Federal Airports Authority
*	NAA	-	Nigerian Airport Authority
*	NMA	-	Nigerian Medical Association
*	UAC	-	United Africa Company Plc.
*	RBDA	-	River Basing Development Authority
*	P.P.I.B	-	Productivity prices and Incomes Board

*	NTA	-	Nigeria Television Authority
*	NISWER	-	Nigerian Institute for Social and Economic Research
*	N.I.D.B	-	Industrial Development Bank
*	NICON	-	National Insurance Corporation of Nigeria
*	L.B.Os.	-	Leverage Buy Outs
*	M.D.	-	Managing Director
*	M.B.Os	-	Management Buy Outs
*	GNP	-	Gross National Product
*	GDP	-	Gross Domestic Product
*	E.S.O.P	-	Employee Stock Ownership Plan
*	DCP	-	Debt Conversion Programme
*	TRIPRs	-	Trade Related Intellectual Property Rights
*	NAFTA	-	North American Free Trade Agreement
*	NUJ	-	Nigerian Union of Journalist
*	NARD	-	National Association of Resident Doctors
*	UAC	-	United African company
*	NEPA	-	Nigerian Enterprises Promotion Board
*	NEPD	-	Nigerian Enterprises Promotion Decree
*	UNRISD	-	United Nations Research Institute for Social Development
*	ROAPE	-	Review of African Political Economy
*	IFC	-	International Finance Corporation
*	OPEC	-	Organization of Petroleum Exporting Countries.
*	N.G.O	-	Non governmental Organization
*	L.NG	-	Liquefied Natural Gas
*	PSBR	-	Public Sector Borrowing Requirement

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CHAPTER ONE

INTRODUCTION

1.00. PROBLEMS, RELEVANCE AND GENERAL BACKGROUND TO THE STUDY.

1.01 THE NIGERIAN STATE AND ECONOMIC CRISIS:

The Nigerian State for quite some years ago now has been saddled with economic crisis of profound proportions. This has made the search for solution to the economic problems the pre occupation of every Nigerian government. The economic policies are carried out at both domestic and international levels within the ambit or framework of set principles and objectives. The Nigerian economic Policies can therefore be understood as the systematic pursuit of the economic objectives of the state for the overall common good of the people. These policies indicate in a direct manner, the nebulous character orientation of the state. Policies of any given state must of necessity encapsulate its principles, and objectives.

The economic policy thus "refers to the expressed planned and directed state economic programmes to attain the goals and practices of government" (Lasswell, 1970:20). The role of policy in the economic growth and development has to be kept in proper perspective. This role has to be located against the background of the nature and character of the state in both its historical and contemporary dimensions for a good understanding. It is quite clear that the role of government within the character of the modern state, has since the end of the 19th century been transformed with acquisition of more responsibilities or powers to formulate and implement public policy (Abbas, 1997:4).

The role of the International Monetary Fund (I.M.F.) in the economic Recovery programmes of Nigeria has generated a lot of arguments, analysis and comments among scholars, analysts and commentators. There is almost always a wide gap between policy formulations and implementation with consequences on the outcome in form of the realization of the objectives for

which the policies were formulated in the first instance. This also has to do with the nature and character of the state in question. In principle, "though government actions in form of policy thrusts and pronouncements can be very powerful, in practice they may not always be so, not because government policies are intrinsically weak, but because the capacity and willingness of governments to alter previous decisions is limited" (Griffin, 1979:24). The practical economic realities in Nigeria vis-à-vis the I.M.F. involvement in recovery efforts has compelled Nigerians to question the relevance or appropriateness of the I.M.F. approach to the resolution of the economic crisis.

It is because of this all important and strategic position of government that the government decides on what to do or even what not to do. Public/ Economic Policies "may deal with a wide range and variety of substantive policy areas such as defence, foreign affairs, education, welfare, agriculture, highways, housing, social security, health, communication, economic opportunities, urban development, environmental protection, inflation, recession etc." (Dye, 1975:2-3).

As an applied science, Public Policy "uses reason and evidence to clarify, appraise and advocate solutions for Public problems" (Dunn.1981:X). Dunn further explicitly posits that, "today's policy problems are so highly inter-dependent that any effort to understand and resolve them demands that we step outside the boundaries of disciplines and professions whose structure and content no longer narrow the contours of society" (Ibid.X).

Any effort or attempt by the state to device any line of action to address problems of policy must have to be in line with what the state considers to be right. To that extent, recommendations, policy alternatives and actions designed to solve economic problems such as economic recession, would depend on the ability or capacity of the state to identify

what it considers as the cause of the problem, (in this case, the cause of the economic recession). This leads us to the questions of whether or not the current economic recovery policy or programme of the Federal Government is a product of a clear understanding of the causes of the economic crisis in the country.

The socio economic and political policies in Nigeria are designed with the main objective of improving the living condition of the people and by and large the overall development of society. It has however been observed that, "since 1960s, not withstanding all the policies made, the socio-economic and political conditions of the people and the entire process of development has not been remarkable" (Abbas, Opcit: 6).

The progress so far made has its own negative outcome or contradictions because there exist; "high level of unemployment especially in the urban cities, rural inertia, food shortages, high rate of inflation, large economic inequalities among persons and most prominently between rural and urban sectors of the economy, glaring situations of abject poverty everywhere and general deterioration of the physical and social environments" (World Bank 1991:1).

However in their efforts to bring about economic recovery of their countries, the Nigerian leaders along with other leaders of the third world states have tended to believe too much in the I.M.F. prescribed policies as panacea. But the question is, can these policies bring about economic recovery and sustainable development? We believe there is the need for a shift in policy if the economics of the third world countries (Nigerian economy inclusive) are to make any breakthrough.

The adoption of the neocolonial policies "is part of the structure of colonial domination and by its nature has become a means of disempowerment and domination" (Ake, 1994:14). In spite of the policies that are

aimed at economic recovery, Nigeria "has been recording negative growth rates for over two decades. On several critical indicators, the average Nigerian is worse off today than he/she was thirty years ago. Economic stagnation, the fiscal crisis of the state and intensifying poverty have caused the collapse of social and physical infrastructures and created a great deal of stress…" (Ibid:3). The current violent conflicts and crises that are ravaging most third world countries are manifestations of failed economic policies that have succeeded only in pauperizing the people who have now risen up against the leaderships of these states. The role of the I.M.F. in these economic recovery policies has generated curiosity particularly among scholars and the intelligentsia generally.

The success of any economic policy will depend on the support such policy enjoys from the citizens of the state while at the same time the support by the citizens will depend on the perceived relevance of such economic policy to the resolution of the objective problematic economic conditions of the people. The people support of the I.M.F. economic policies will anchor on the people's believe that the policies will bring some benefits to them.

1.02 THE STATE AND ECONOMIC RECOVERY PROGRAMMES

A state contemplates economic recovery programmes, only when it is faced with a crisis situation. The various economic recovery programmes being implemented in many or all of the third world countries were induced over two decades ago following economic crises that pervaded and have continued to pervade these countries. The economic crises were themselves, a manifestation of the World Economic recession. Nigeria, being an integral part of the world system and a neocolonial formation, was hard hit by the world economic recession triggering the search for solutions. As is the same with other public policies, economic recovery programmes are usually put

together by governments of the affected states and for the main objective of bringing their economies out of the woods. These governments, in doing this, consider such policy options as workable and the best solution to the problem at hand. It is usually assumed that these economic recovery programmes are in the best interest of the people of the respective states.

Given their relationship with the world capitalist system, which is an unequal relationship, coupled with the weak structures of their economies, it became inevitable that what affects the world capitalist system is bound to have adverse effects on these dependent economies. To this extent, "the cyclical crisis of the world capitalist mode of production which started a progressive worsening in the earl 1970s was bound to catch up with the third world countries" (Bangura, 1983:8). More over, this capitalist system had "bred a system of accumulation based on capital repatriation by the foreign companies operating in these countries. For instance out instance, out of every $1.00 (One U.S. dollar) produced by the labour of Nigeria, $0.60 (Sixty cent) finds its way outside Nigeria" (Mohammed and Edo, 1986:147).

The leaders of the Nigerian state who are the managers of the nation's economy, did not help matters as they were directly involved in unwholesome practices. There "had been over in-invoicing of imports, and dubious payments to foreign consultants/contractors, insurance companies, banks and other companies. In addition, there had been direct theft to the tune of billions of dollars. Contracts were inflated and the ruling class had used their international connections to transfer large amounts of money from the country" (Usman; 1982:15). It should be noted that the various activities of the capitalist business agencies such as transnational corporations, the local business companies, international bank and the third world states which have become powerful agencies for the capitalist penetration of the economy, transmit, and some times generate within these economies, the contradictions

and crises of the global economy (Bangura etal, Mohammed and Edo, 1986:172). This is equally true of the Nigerian economy.

The inevitability of this scenario rests on the fact that through it colonial experiences, the Nigeria economy has become intricately linked with the global capitalist economy. Since it is not only weak but highly dependent, the Nigeria economy was serveraly hit by the world economic recession which originated from the U.S. in early and mid – 1970's. This continuing crisis had by 1980 engulfed the entire capitalist world with varying degree of impact depending on the extent of control exercised by the primary agencies of international capitalism such as the multinational corporations, the I.M.F. and the World Bank (Gana; in Oni etal, 1999:6). The World capitalist system has been characterized by uneven development, with the concentration of resources – capital and technology in the core zones. This logic explains why, "a general crisis of capitalism cannot but affect the national economies that are integral to it" (Ibid:6). However, the fortunes of each national economy in such a crisis depend on the degree of its integration in the world market, the extent to which it is dependent on the market for the major inputs – capital and technology" (Ibid:6). This is aptly true of the Nigerian national economy which is a product of imperialism.

In a major study, the World Bank identified the followings as the primary manifestations of the crisis of development in Africa, Asia and Latin America: weak growth in the productive sectors, poor export performance, mounting deficit, environmental degradation, institutional decay, political instability and the crisis of confidence" (World ban: 1989). It is instructive to note that "of these, perhaps the mounting debt burden has turned out to be the most debilitating" (Gana; Opcit:8). The explanation to this paradox of continental wealth and mass poverty according to the 1989 World Bank studies, lies in " a combination of factors such as bad weather, weak world commodity prices,

fluctuating international interest rates and too little growth rate aid. Others are: deteriorating terms of trade, high population growth with, declining investment, low returns to investment, poor public sector management, high wages costs and political instability" (Ibid:8).

The World Bank concludes inter alia:

"The post-independence development efforts failed because the strategy was misconceived, governments made a dash for modernization, copying but not adapting western models. The result was poorly designed public investments in industry; too little attention to peasant agriculture, too much intervention in areas in which the state lacked managerial, technical and entrepreneurial skills; and too little effort to foster grass roots development. The top-down approach demotivated ordinary people, whose energies were most needed to be mobilized in the development effort" (World Bank Opcit:16-23).

The World Bank study was designed to prepare leaders of the Third World countries for I.M.F. prescriptions. This was also to serve as justification for the introduction of adjustment programmes designed by both the World Bank and the International Monetary Fund whose main objective was to reverse the deepening crisis of development in the third world countries. The I.M.F. adjustment programmes are based on certain assumptions: "that the economic crisis in the third world countries such as Nigeria are basically short run problems, that they are to the structure of prices (commodity prices, wages, exchange and interest rates); unbalanced budgets, trade restrictions and government intervention (example for their financial indiscipline), and that inadequate competition of demand and supply is the root of the structural problems (Onimode, 1989:15-31).

This study is concerned with the economic recovery programmes and policies within the context of the I.M.F. economic reform programmes being pursued by the Nigerian government between 1999 and 2005 with special and

particular attention to the Nigerian Privatization programme. The contents of the recovery programmes are to be fully discussed in section three of chapter six.

1.03 THE STATEMENT OF THE RESEARCH PROBLEM

It should be noted from the onset that direct foreign intervention in the economic affairs or development of the Nigerian state is as old as colonialism itself and has not ceased since independence to date. However, little or no significant progress has been made in terms of the socio-economic wellbeing of Nigerians. Since the economy has been the main focus or thrust of both domestic and foreign policies of government, it should be understood that these policies have primarily been designed to achieve objectives that are antithetical to the overall objective national interest of the Nigerian nation and its people. Even when the Nigerian People are made to sacrifice for the successful implementation of these recurring foreign economic policies, nothing in terms of benefits is derived from these initiatives.

In spite of the commitment of the Nigerian Political leaders to these economic policies of governmental and non-governmental foreign based institutions, there has been nothing tangible in terms of economic progress. Nigeria is endowed with abundant rich resources which if properly harnessed can satisfy the very basic needs of the populace. Successive governments since independence in 1960 have made several policy statements and inaugurated programmes and strategies aimed at transforming the economy. For instance, the Babangida regime (1985 – 1993) made unprecedented attempts and efforts to create an economic eldorado. The regime came up with a number of populist economic strategies for general and rural economic development in particular. It is however curious to note that since Babangida's regime (1985 – 1993) and beyond and notwithstanding the

populist policies, the Nigerian State has witnessed a paradoxical increase, spread and deepening of poverty among Nigerians on a very large scale.

Thus, the incessant failure that has bedevilled the economic policies in Nigeria must be situated within the realm or context of the nature and character of the Nigerian state through the method as well as the instruments and the modus vivendi. The problem must be directly linked with issue of the missing of a very vital element of involving the end users or beneficiaries of any such economic policies and by this we mean the people, in the affairs that concern them through a systematic and well-defined process of inward focussing of economic development efforts. This hinges on the objective reality that, the basic element of any economic development directly centres around human beings who are the intended beneficiaries of such initiatives, no more, no less.

Many economic development studies have tended to ignore the potentials of the people while placing too much premium or emphasis on infrastructure. In many such cases, those in leadership positions assume the monopoly of knowledge and expertise on how to run the economy and other affairs of state. If any thing they feel the best thing is to rely on foreign "experts". They have often labelled people with alternative options to the resolution of the national economic problems as rebels and or radicals with destabilizing tendencies. They therefore tend to attribute the failures of the policies to certain conjured elements that are regarded as enemies and saboteurs of the State. This study strongly and forcefully argues to the contrary.

We contend that the failure of the economic programmes in Nigeria can never be properly or adequately explained and understood if not situated within the context of the socio-economic and political realities of the Nigeria state. This study thoroughly examines the impact of the economic reform

policies of the International Monetary Fund (I.M.F.) with very special attention on the privatization programme of the Obasanjo regime (1999 – 2006). Based on the existing economic realities, the impact of the policies on the Nigerian economy thus indicates the inability of the state and the incapacity of the policies to transform the state economy for the better. More importantly, the study will focus on the inherent contradictions of the I.M.F. policies which are themselves responsible for the failures of the policies to achieve any meaningful or tangible economic progress or success that could be beneficial to the people.

It is the non-recognition of people's potentials, feelings, opinions and general policy options vis-à-vis the continuous reliance and implementation of the failed I.M.F. economic reform policies that has provoked and prompted this enquiry. The research will critically examine these issues with the basic objective of identifying and addressing the multi-faceted variables in economic development. Thus, questions to be addressed in this research will include but not limited to the followings:

i) Are the I.M.F. economic reform policies the ultimate end in the economic development of the Nigerian State?
ii) What is the impact of foreign intervention in Nigeria's economic transformation?
iii) What are the causes of the Nigerian economic crisis?
iv) Who are the victims of these I.M.F. economic policies and who are the beneficiaries?
v) Does I.M.F's involvement in the economic affairs of Nigeria have any link with Nigeria's colonial history and heritage?
vi) Can the I.M.F. privatization programme bring about any economic prosperity to Nigerians?

vii) Why have the I.M.F. economic reform policies failed in Nigeria and other developing countries?

viii) What is the role of the I.M.F. in the globalization process?

ix) What are the alternatives to the I.M.F. economic reform policies?

It is our contention that analysis of the issues central to the interventionist stance of the I.M.F. in Nigeria's economic development initiatives is paramount in order for us to be able to adequately capture the perspectives on how this approach negates and or contradicts a people-oriented economic reform and development strategy. Hence foreign interventionist approach brings in other variables that are counterproductive and do militate against sustainable and enduring economic development. Such identifiable negative elements include foreign aids/loans and experts. These exogenous elements or inputs put economic development in jeopardy. Our contention is that the sudden incursion of the aforelisted foreign elements, in large doses into the country has not brought about any economic progress or success, rather, it has reversed the process of socio-economic development.

For a good analysis, the problematic traces the Nigerian economic crisis and located it within the context of the country's colonial history and imperialist manipulations on the one hand; and examines the various I.M.F. economic reform policies that have been adopted and implemented by successive regimes in their attempts to address the problems, which have tended to worsen instead of ameliorating. The problematic frowns at the separate attempts by the state to force the exogenous economic reform policies on the people in spite of the inability of these policies to yield any good results that are of benefit to the people.

1.04 THE OBJECTIVES OF THE STUDY

The study attempts to survey how the International Monetary Fund (I.M.F.) in tandem with the World Bank have continued to dictate economic recovery programmes or policies of Nigeria. It also attempts an examination of the penetration of International capital into Nigeria. Summarily and essentially the followings are the objectives of this study:

(a) The I.M.F. economic recovery programmes are examined vis-à-vis their aims and objectives.

(b) Analyse the Nigerian economy in both its historical and contemporary dimensions and attempt to locate the crisis that now bedevil the country's economy.

(c) Assess the Nigerian exogenous economic policies /programmes with special emphasis on structural adjustment programme but particularly the privatization programme as implemented by the Obasanjo regime between 1999 and 2006. This is with a view to ascertaining the degree or level of their success vis-à-vis the problems these policies were designed to address.

(d) Recommend alternative approaches to the resolution of the Nigerian economic problems.

1.05. RATIONALE OF THE STUDY:

The basic aims and objectives of this research which form the rationale of this study are to:

a) Produce up-to-date and relevant data that will serve as useful information crucial to the scholarly understanding of the issues encapsulated in our study.

b) Develop data baseline about the role of the I.M.F. and what the fund's real intentions are.

c) To take particular case study of the I.M.F. privatization programmes in Nigeria with a view to bringing out clearly, the operations of the fund and how its declared intentions are more often than not at variance with its other undeclared intentions.

d) The study will prove through empirical evidence that the interest of the I.M.F can not be the same with the National interest of any Third World country, Nigeria inclusive.

e) The study will show and demonstrate that the main objective of the I.M.F. policies is to facilitate the concretization of the capitalist hegemony and the globalization of the capitalist mode of production and distribution of wealth which is skewed in favour of the capitalist west.

f) This research will produce alternative approaches to the resolution of the persistent Nigerian economic crisis by way of making recommendations at the end of the research/study.

1.06 THE SCOPE / AREA OF STUDY AND LIMITATIONS:

This research is not a study of the I.M.F. per se. rather, it is the study of the role of the International Monetary Fund in Economic Recovery Programmes in Nigeria with special focus on Nigeria's priviatization programme 1999 – 2006. The study will revolve around this title. However, for a better understanding of how the institution operates, the research will give some historical/background information on the economic crisis which these I.M.F. policies and programmes are designed to resolve.

The quest for a good understanding of the topic under consideration also makes it imperative for us to confine the Research to an over view or review of issue areas such as Nigerian political economy, third world international economic relations, the concept and philosophy of privatization and a general review of available literature in the field of study and the

impact of I.M.F. economic recovery programmes and policies on the third world countries.

The financial requirements for a research of this nature are usually monumental and will therefore be a limiting factor in this research work since, unless sponsored by some organization or government, the researcher does not possess the financial wherewith all to be able to undertake a fact finding trip to the Headquarter of the I.M.F. in the U.S.A. This is a draw back since we will not have the benefit of discussing with the Chief Executive and other top ranking officers of the financial institution. We will limit ourselves to the writings and utterances of these personalities in publications and their policy statements.

This research is also faced with the usual problems of analysis of issues such as the one being considered in underdeveloped capitalist societies/ formations such as ours. This is attributable to the rapid changes, which are characteristic of developing capitalist societies. The absence of indigenous theoretical fame works for analysis also makes it difficult to be able to precisely and or accurately realize the research objectives. This has made our reliance on foreign theoretical models for analysis inevitable.

This idea of viewing or analyzing the problems of developing societies from the perspectives of those of the developed ones is a draw back to researchers of the third world countries which serves as a limiting factor to the outcome/findings of these Research works. This study is not an exception.

1.07 **THE METHODOLOGY**:

The research employs interviews and interpretation of historical and empirical records and facts, relevant data or documentary information from primary and secondary sources. The objective is not only to gather relevant information but also to test their relative relationship between the nature or

structure of the economy and the state on one hand and the direction of the I.M.F. economic recovery programmes and policies of the Nigerian state.

The secondary sources of data were obtained through attendance at symposia, lectures, seminars, sharing and participating in discussions on relevant issues and ideas as they related to the subject matter of study, exchange of ideas and content analyzing the papers presented at seminars, workshops, talks etc. Other sources were the regular progress reports of the technical committee on privatization and commercialization (TCPC), National council on privatization, Bureau of Public Enterprises (BPE) - information as data for analysis. We also undertook personal visits to the Government Agencies that are charged with the responsibility of carrying out the privatization and commercialization programmes. Periodic World Bank reports and I.M.F. annual reports were also relied upon for data.

The secondary sources of data were obtained from text books, journals Magazines, Newspapers, Bulletins, Monographs, Research publications, News letters, periodicals, state documentary records, archival materials, proceedings of meetings that touch on public economic policy matters. The initial collection and assembling of data involved a critical review of literature by relating the relevance of issues raised to the subject matter. This will therefore involve an overview of state policies and their implementation as well as the implementation of the International Monetary Fund sponsored economic recovery programmes such as Structural Adjustment Programmes, which usually, encapsulate privatization, commercialization and other reforms in other sectors of the economy. The process will attempt to juxtapose and synthesise various issues raised and the articulated views and ideas. This is with a view to locating them within their theoretical perspectives.

Since the methodology of gathering data will use both quantitative and qualitative contexts and aggregate analysis, the past economic and development plans in Nigeria, were reviewed. This brought into very sharp focus, the nature and character of socio-economic and political structures created during the colonial era, and the post-colonial period by examining the political and economic policy pronouncements and their directions.

Other informations or data were also collected from various international finance agencies with regard to their establishment, functions, operations, or activities with permission. The method of data collection also included personal interviews. The research however relied heavily on the content analysis as a methodology for extracting relevant data relating to the implementation of the I.M.F. economic recovery policies and programmes in Nigeria.

It should be noted that there are quite a good and substantial number of scholarly texts, journals, unpublished studies, magazines, newspapers, and the like which dwell on issues relating to the I.M.F. and the fund's policies towards Nigeria and other developing countries. There are also seminar papers. These materials/literature which can be found in University and Public Libraries, Bookshops, Research Institutions, bureau of public Enterprises, Secretariat of the Committee on privatization and commercialization were content analysed and relevant data extracted for rigorous analysis. This research also relied on World Bank and I.M.F. reports, the Research Department of the Central Bank of Nigeria (CBN), private/personal Libraries, mimeographs and archives in our search for data.

1.08 ORGANIZATION AND SYNOPSIS OF CHAPTERS

The research is structured into three parts and seven chapters. Part one is the theoretical, which takes us through a myriad of issues treated under nine subsections which make up chapter one.

The issues treated in chapter one are the state and public policy where the study looks at the state vis-à-vis its responsibility to the people. This responsibility is usually carried out within a framework of set objectives and principles of state. The government of the state which caries out these functions is given enormous powers under the constitution to facilitate these functions. It is this enormous powers that enables the Nigerian state to embark on such economic policies which those in government believe will turn the economy around for the good of the people.

The objectives of this research are also spelt out under chapter one including the rationale and scope of the study. The hypothesis/propositions which serve as our guide in this research, are also treated in chapter one. The relevance and purpose of study are also treated under this introductory chapter. The chapter rounds up with the methodology and organization plus, the synopsis of chapters.

Chapter two is the literature review and theoretical framework. Under chapter two, various methodological problems and economic theories of development are treated. Also treated in chapter two are some theoretical postulates and economic recovery approaches vis-à-vis policy framework and approach. This chapter is basically intended to give us a background for better understanding of the entire study.

Chapter three deals with the Nigeria economic crisis. It is the economic crisis that necessitated the adoption of the economic reform policies currently being implemented by the Obasanjo government with the main objective of bringing the economy out of the woods. It is therefore our belief that an understanding of the nature and character of the economic crisis is necessary if we are to understand the rationale of the economic policies and the role of the I.M.F. in the economic recovery exercise of the Nigerian state.

Also treated under chapter three is the Nigerian external debt question which forms another plank of the Nigeria economic crisis. How Nigeria became enmeshed in the debt trap is traced and the country's debt trap is analysed while the country's debt status is also identified along with Nigeria's creditors.

The issue of Nigeria's external debt management is also analysed in chapter three.

The role of the I.M.F. in the economic recovery programmes in Nigeria is the subject of analysis in our chapter four. It is argued that the Nigerian state had to invite the I.M.F. in 1982 or there about when it became clear that a home grown solution could not fully address the economic problems which had external or international dimensions. Our analysis in chapter four indicates that the I.M.F. has been consistent in its prescriptions for the resolution of the Nigerian economic problems since its first intervention in the early eighties with its Structural Adjustment Programmes.

We also operationalise the concept and philosophy of privatization so as to give an in sight and a better understanding of the economic recovery programme which is the main focus of the work. The work also looks at various dimensions and perspectives of privatization in its practical manifestations.

The issue analyzed under chapter five is the role of the I.M.F. in the introduction and implementation of the privatization programme in Nigeria. The reasons advanced by the I.M.F. for the introduction of the economic recovery programme in Nigeria are also articulated in chapter five.

This leads us to chapter Six which focuses on the privatization exercise of the Nigerian State, its modus operandi, successes and failures vis-à-vis its main objective. The various arguments in favour and against privatization are also analysed.

The legal framework of the Nigerian privatization programme is also discussed in chapter six with the National council on privatization (NCP) and its functions/responsibilities clearly articulated.

Chapter seven is the presentation and analysis of data collected during our investigation. It also covers the findings of the research.

Having thoroughly analysed the Nigerian privatization programme in all its ramifications based on the data we assembled from various sources, we draw conclusions in chapter eight. In the concluding chapter, we prove the weaknesses of privatization policy as an economic recovery programme and draw up recommendations which could serve as alternative approaches to the economic problems of the Nigerian state which have become endemic over the years.

The sources of data we used for this research varied from content analysis of many documents we got from relevant institutions such as bureau of public enterprises, National Council on privatization and commercialization. The Federal Ministry of Finance, the Central Bank of Nigeria (CBN), Nigerian Institute of International Affairs (NIIA). Others include materials from the Libraries of Ahmadu Bello University Zaria, Bayero University Kano, University of Jos, University of Lagos, University of Ibadan and Usman Dan Fodio University Sokoto. Materials were also sourced from the Kaduna State Library and the national Library, Kaduna. These are aside from textbooks, journals, magazines, Newspapers and other related publications. Interviews were also conducted with certain personalities in Government and academia at various intervals in the course of this research.

CHAPTER TWO

2.00 LITERATURE REVIEW AND THEORETICAL FRAMEWORK

2.01. INTRODUCTION

Literature review and theoretical framework are very vital and therefore very essential components of a study of this nature. While literature review introduces us to various works in the field of study either directly or in areas that are related to the issues in focus, theoretical framework gives us a road map for the research.

This section of the study therefore discusses the issues that are encapsulated in the general framework of the topic which is; The Role of I.M.F. in Economic Recovery programmes in Nigeria: The case of privatization; 1999 – 2006. The issue around which this study revolves are among others the relationships of the Nigerian state with the core capitalist countries and how this relationship has evolved over the years; the influence of the developed capitalist countries on the less developed economies such as the Nigerian economy. The economic policies and programmes which have been forced on Nigeria and third world countries in general over the years. Here, we review existing literature with a view to finding out the ground they have covered with regards to the issues involved in this study.

2.02 **LITERATURE REVIEW**:

There is a continuous lively and very serious discussion among scholars and analyst of various backgrounds over, "the question of the development of 'backward' (variously referred to as developing or underdeveloped) areas of Latin America, Asia and Africa" (Leys; 1975:10). The central focus of this discussion which is also of relevance to us here is "whether the increasing penetration by the capitalist mode of production is such that these areas may become industrialized so as to be regarded as developed or whether the presence of various ramifications of foreign capital in this third world countries simply perpetuates an abiding underdevelopment. This question is often considered in terms of the capability or incapability of capitalism to transform these formations from their backwardness" (Goulbourne;1979:11).

The issues here have to do with the nature of the international economy, the sort of relationship between the primary interacting units, that is the nation – states and the role of institutions like the I.M.F. in oiling such relationships through the promotion of appropriate national economic and social policies. Although the works under review differ in their approaches, what appears to be common to them is that they all agree that the less developed countries (LDCS) share the same fate in terms of their critical economic, social and political predicament. This predicament has been linked to the unequal relationships of these Third World countries with the developed countries.

As one analyst puts it: "the small underdeveloped states are made highly susceptible to control, coercion and manipulation by the powerful and industrialized states at the centre of the global system, a situation which places the small, less developed and less powerful states in a defensive position" (William; 1979:20). Within the past twenty years, the countries of the

Third World have been faced with economic crises of various dimensions. These economic crises have arisen as a consequence of the weak positions they occupy in the international economic system in relation to the more formidable economies of the core capitalist countries. In spite of the economic recovery policies and programmes, which are being pursued by these developing countries under the auspices of the World Bank and the I.M.F., their economic and socio-political crises have continued unabated.

According to Mbadinuju (1973:19), the development problems that the developing countries are faced with are "poverty, growing income and asset inequalities, unemployment, rapid population growth, low level of literacy and nutritional intake, rising levels of urban unemployment, stagnating agriculture, relative rural neglect, inadequate and often inappropriate educational and health delivery system, inflexible institutional and administrative structures. They are also faced with the problem of significant vulnerability to external economic, technological, and cultural forces of dominance; debt overhang and dependence".

The condition in which these LDCS found themselves and their relationship with the metropolitan countries has always influenced their policies in both economic, social and political dimensions. This is the import of Mbadinuju's (1973:5) argument that, "a nation under neocolonialist domination is formerly politically independent, but it harbors the situation in which the country's decision makers not only respond to the domestic pressures but also to the pressures from foreign powers through their overwhelming or overbearing economic powers. The foreign powers and pressures do not necessarily have to be from the new nation's former colonial power though in all probability and because of the later's previous economic investments, it may likely be among the neocolonial powers operating in the developing country concerned". It is in the light of these circumstance that,

"the leaders of the LDCs have tended to take policy decisions that are in favour of foreign interest even when such policy was clearly detrimental or injurious of their (LDCs) national interests. The policy makers of such weak countries are usually asked to take the decisions, which favour the colonial powers so that the new nation's economic development could be enhanced. This is usually based on promises of more aid to them; increase volume of trade while the rate of investment would be stepped up" (Ibid:13).

Another interesting aspect of the nature and character of these developing countries which can be of critical importance to the analysis of their problems is that, "their governmental structures and political elite in their character resemble or are replicas of those of their former colonial powers both in orientation and practices" (Ake, 1985:3). Ake has authoritatively argued that "the unique feature of the socio-economic formation in post-colonial Africa and in contemporary periphery formations generally is that, the state has very limited autonomy. In much of Africa, a small capitalist sector dominates the economy" (Ake: 1985:4). Bangura (1985:12) is in support of this when he argues that "multi-national corporations because of their strong and strangulating hold on the economies of the Third World countries as well as the International Monetary Fund (I.M.F.)., have had and continue to have considerable influence in the nature of the foreign policies of the developing countries…"

The developing countries have tended to regard the policy framework of the I.M.F. such as Structural Adjustment Programmes and their concomitants as the only paradigm that can deliver them from their economic doldrums. While some analysts or commentators have tended to share this belief, others have argued to the contrary. According to Hutcheson (1996:17) "Policy makers and the ruling class are not (only) trapped in the vortex of the western financial system but actually come to believe that the solution to the

economic crises is only possible by strengthening their ties with western economies. In such cases, the inter-connection between external economic dependence and foreign policy enter into an amicable marriage at the expense of the mass majority of the Third World.

These countries are usually pushed into such precarious situations by seemingly fine arguments propagated by such agents and agencies established precisely to ensure the growth and expansion of the economies of the metropolitan countries. The economic policies of the financial institutions such as Structural Adjustment Programmes and economic reforms are usually presented to the developing countries as the only panacea and unless these countries embrace these policies they cannot be allowed access to foreign capital in form of aid which has become a vital requirement and/or component of any socio-economic development process in the LDCS.

It is often argued that "privatization will help the economies of the Third World countries to grow and to wipe out poverty amongst the people if properly and fully implemented, the developing countries have to use privatization as a development strategy for the twenty first century" (Zayyad; 1999:82). Some of the propagators of privatization as development strategy have argued that "apart from alleviating the perverse poverty in the LDCs, Privatization would free funds, which government would have invested in non-performing public enterprises for investment in people-centered projects such as education, health, nutrition and development of infrastructure" (Zayyad, 1990:14). This argument is very common with the school of thought, which believes in the efficacy of the capitalist model of development as the only one that could effectively address problems of economic growth and development. Zayyad (1990:14) once argued that, "the privatization programme is not ideological but, designed to encourage Nigerians to

become co-owners in productive investment and stop locking up their money in Bank accounts and under their pillows" (Ibid:14).

There is a contradiction in the prescriptions of this I.M.F. development paradigm. This contradiction is inherent in the fact that the economic problems, which these policies of Bretton Woods Institutions aim at resolving have been caused by the long relationship between these less developed countries and the western capitalist countries whose ideological strands and strategies these International Financial Institutions propagate and pursue. This is the reason why the application of these policies of liberalization in the Third World have tended to worsen their economic crises. Nigeria provides a ready and very good example of this contradictory scenario, "because deregulation, privatization, trade and exchange rate liberalization pushed by Nigeria's creditors in the nineteen eighties, successfully pushed Nigeria itself off the middle-income category nation to a poor country category within just two years of the introduction of these policies" (Emeka:2000:19).

The critique of the World Bank by the Bank's Chief Economist is revealing. He provided a convincingly evidence – led argument to show that "the International Monetary Fund and the World Bank have already failed to bring financial stability or economic growth to the developing world" (Hutcheson, Opcit:17). This position is supported by Iwayemi (2000) who has argued that "public ownership and control had generated significant market distortions highlighted by sectoral inputs and outputs, insufficiencies and price distortions have bolstered the role of deregulation and privatization as a key policy strategy in the quest for economic recovery and sustained economic growth in most developing countries, Nigeria inclusive" (P. 20).

Some scholars and analysts such as Kavaljit (2000), Hort (2001), Mazankowski (1993), Clairmint (1997) and Gelina (1998) have linked the

phenomenon of the enforcement of the I.M.F. policies in the LDCs to the globalization process. In these analyses, globalization is seen as a "process which involves growing economic interdependence of countries world wide. (Kavaljit:3). This school of thought contends that globalization is nothing new; since the beginning of modern times, all world economies have been linked by commerce, finance, monetary flows and technological exchange that more recently these linkages are being intensified through free competition, investments, bank loans take over bids and the like, the developed countries at the system's centre are in a position to accumulate more and more wealth at the expense of the underdeveloped countries at the periphery. This center-periphery theory explains the development of under-development" (Gelinas: 21).

These arguments and analyses supported the fact that the crises these LDCs are currently facing are a direct outcome of the many years of this exploitative relationship they have been subjected to by the developed economies. These LDCs are so trapped that, "every exit is sealed, preventing any escape from this state of dependence. The situation seems to be frozen. Even debt no longer scares anyone except those compelled to bear and pay for it. In the world Bank and I.M.F. view, the solution to past debt is more debt, more growth and spreading of western over-consumption world-wide" (Ibid:75).

The propounders of this theory argue that there are five characteristics of the current globalization process namely: fast growth in trade especially among Transnational corporations (TNCs), the surge in foreign direct investment contributed and accelerated by the Transnational Corporations, emergence of global markets and the diffusion of technologies and communication systems" (Kavaljit; Opcit:4). The nineteen eighties and the nineteen nineties "have witnessed rapid globalization of the production process facilitated by the Structural Adjustment Programmes dictated by the

I.M.F. and the World Bank" (Hort:9). This is to say that the intensification of the pursuit of the economic recovery policies of the Breton Woods Institutions is part of the globalization process which is aimed at bringing the developing countries under one umbrella for the promotion of the capitalist interests.

While majority of the intelligentsia in the developing countries do not have faith and confidence in the I.M.F. and the World Bank as being capable of proffering any meaningful solution to the socio-economic problems of their countries, the advocates of I.M.F. policies speak so fervently and optimistically of the ability of the I.M.F. to deliver the developing economies from the woods. Hort agrees that the world economy is undergoing a critical period and that "U.S. economy is sputtering without any ready relief from economic developments in other regions of the world with the slowing down of growth in Asia and Europe". (Ibid:12). He however expresses faith and confidence in the I.M.F's optimism that there are still rooms for maneuver for economic policies to counter the dangers of deeper recession, on the basis of which it had gone ahead to forecast global economic growth rate over the past two decades".

El-Rufai (2000:32) argues along the same lines with Hort when he says "the process being propagated and pursued by the I.M.F. affords higher productivity, increased trade, stronger growth dynamics and higher incomes and more jobs". These are the arguments and justifications that are constantly being sold to the public by government functionaries particularly those who are directly involved in the implementation of these western capitalist market economic policies, privatization as the cardinal principle of capitalism has for long becomes the central pillar of economic policies in Nigeria and which the I.M.F. and the World Bank have been pursuing. The arguments of those

policies are usually initiated by the IMF and World Bank and orchestrated by the government functionaries of the implementing countries.

The introduction of privatization programme was premised on the philosophy and thinking that "the only way through which public corporations could become efficient was through greater private participation in the commanding heights of the economy" (Olusanya and Aindele, 1986:46). It is significant to note that although these economic policies are externally motivated, they are accepted hook line and sinker by Third World countries without question. This has to do with the strong hold and control on the Third World countries by international finance institutions like the World bank, the I.M.F. and other creditor agencies such as the Paris and London Clubs. These "Institutions have had and continue to have considerable influence in the formulation and sharpening of the character of Nigeria foreign economic policies". (Ibid:48).

These International Financial Institutions who propagate and supervise the implementation of these economic recovery policies, "operate in such a way that the highest foreign policy making organs, the chief executive, immediate advisers and ministerial technocrats do not sometimes recognize that the inputs of these international capitalist agencies have more often than not if not always been antithetical to their national interest i.e. the national interest of the developing country concerned". (THE WEEK Magazie: 2001:2).

Some analysts or writers such as Pinjap (2001), have situated the issue of privatization which has now become a vogue in developing economics against the background of the perverse poverty that characterize these countries and argue that; "privatization means selling the shares of an organization and to allow a group of people to take them over. This is because it is only those groups or individuals who have the financial where-with-all that can afford to buy the shares. Privatization in the midst of poverty

is simply and squarely the mortgaging of the country's wealth to the rich few". (Pinjap;2001:24).

The I.M.F. has consistently defended her policies and argued that they are the only panacea for the numerous economic problems confronting the developing economies. The International Finance Institutions believe that, "there is need for the gains of the globalization process to spread evenly among nations. They contend that too many people have not had their own fair share of the gains in the prosperity that was brought about by globalization and that, the successful fight against poverty is the key to global peace in the 21st century". (Hort, Opcit:9). They believe that the solution to prevailing poverty in the developing countries is the liberalization of their economics by "repositioning the private sector as engine for the growth and development of these countries and bring about financial stability as a global public good." (Ibid:10) Hort further posits that, "economic crisis-prevention is the heart of the I.M.F.'s mandate". (P:12).

The I.M.F. is deeply involved in the globalization of capital through the propagation of its policies of deregulation, structural adjustment, privatization, liberalization and the like. It has become clear that the fundamental and major feature of globalization "is the increasing degree of openness in most countries. This openness extends to trade flows, investment flows, financial flows, flows of services, technology, information , ideas and persons across national boundaries. In other words, trade, investment and finance constitute the cutting edge of globalization…" (Kavaljit, Opcit: 14) The rapid globalization of production process, particularly as it relates to the third world countries, "has been and is still being facilitated by the Structural Adjustment Programmes dictated by the I.M.F. while the driving forces behind globalization process are the Transnational Corporations who are shifting their production bases to the developing countries…" (Ibid:5). The

developing countries offer unique opportunities and advantages of large reservoirs of domestic markets, which are growing with lower production cost, cheap raw materials and labour.

On the other hand, the political leadership of the developing countries have played very important roles in entrenching the capitalist/free market structures in their respective countries by ensuring the smooth implementation of the I.M.F. economic policies which are capitalist both in their orientation, purpose and intent. The leaders of the third world countries seem to believe or have been made to believe that the solution to their economic problems lies with the adoption and implementation of such capitalist or market economy-oriented policies as privatization which emphasizes the divesting of Government investments in public-oriented service enterprises as communication, provision of social amenities such as water, energy and the like.

The leaders of the third world countries believe that, "privatization is necessary to integrate their economies into the mainstream of World economic order because they need the technology, the managerial competence and the capital from the developed world to enhance the performance of their utilities and to be able to attract foreign capital and investment". (Obasanjo; 1999:140). The strangle hold of the external or foreign forces on the economies of the third world countries has reduced their independence to mere flag independence. The colonial experiences of these developing countries have become handy in explaining the vulnerability of their economies to foreign capitalist influence. This has led to a new phase of a more vicious subjugation in what has come to be known as Neocolonialism, a process that has kept the developing nations of Africa, Asia and Latin America economically dependent and backward.

The political leaders who assumed the mantle of leadership in these countries at independence were conscious of the implications of political independence without economic independence. This, some of them have argued, has made their independence meaningless and that, "the reality of neocolonialism quickly becomes obvious to a new African government which tries to act on economic matters in the interest of national development and for the betterment of its own masses for such a government immediately discovers that, it inherited powers to make laws, to direct the civil service, to trade with foreign governments and so on, but, that it did not inherit effective power over economic development in its own country". (Nyerere; 1979:251).

The developing countries cannot be said to have a national economy in its true sense, but just only "various economic activities which are owned by people outside its jurisdiction which are directed at external needs and which are run in the interests of external economic power". (Ibid 252). The role of the I.M.F. is to ensure that these less developed economies remain strictly within control and doing the biddings of the capitalist west through the propagation of the interest loaded policies of economic recovery. The economic directions of the LDCs have continued to be dictated and directed from outside by external economic forces which determine the nature and character of the developing countries, the types of investment being undertaken and or the kind of development if any within the national boarders of the respective country". (Ibid:252). All matters relating to the vital aspect of development are dictated externally without any consideration being given to the national interest of these LDCs.

The international economic relations vis-à-vis the interest-driven role of the I.M.F. can best be understood and or appreciated when it is located within the context of the historical and political relationship of these developing countries with the capitalist development countries from

colonialism to neocolonialism. What is happening today is based on a foundation that has been concretely laid during the period of conquest and colonialism. Since these economically weak countries obtained their independence through negotiations, it is only expected that there were some strings (conditions) attached to the various political freedoms they achieved.

The process of neocolonialism has been identified as "both reflection of the poverty of the African, Latin American and Asian countries and a major factor in its continuation of its rule over a colony becomes primarily a question of how best to safeguard continued access to markets and raw materials on an exploitative basis. This exploitation is not affected by the flag independence. Whatever the colony does is usually done in consultation and with the active support of powerful economic interests in its own country" (Ibid:25).

The post-independence neocolonial economic setting in the less developed countries is well entrenched and has some local collaborators and supporters in form of agents. The local agents are benefiting from the status quo and would prefer that it remains as it is. Some of the people of the developing countries "identify their own personal interest with the existing neocolonial situation. They are to be found among the local agents of foreign capitalists and among the local capitalist who have developed in the shadow of large foreign enterprises. Such people may feel that their wealth and status depend upon the continued dominance of the external economic powers; opposition to neocolonialism (and economic domination) will thus not be as unanimous as opposition against classical colonialism (Politically economic domination) as it were. (Ibid :PP 255-257).

The scenario painted here is responsible for the almost smooth and unhindered implementation of these interest-driven economic recovery programmes and policies of the I.M.F. but whether these policies and

programmes have been of any benefit to the generality of the people is one big question that needs to be addressed.

The perspectives are varied in relation to the subject matter which is "The Role of International Monetary Fund in economic recovery programmes in Nigeria: The case of the privatization programme 1999 – 2006." The literature reviewed here brings out in clear perspective the individual conviction of the authors, writers, analysts and or scholars on the Topic of our research. The various perspectives, view points, ideas and theoretical postulations will continue to serve as our reference points and it is our believe that these will illuminate and guide our discussion and or data analysis in our efforts to find answers to the posers already raised. Theories of economic growth and development have been developed by different writers for different historical epochs each based on the existing circumstances of the moment. We also review here, some major theorical constructs which have become dominant and current in any discussion on economy.

Writers who readily come to mind when we speak of the classical school of theories are: Adam Smith, Ricardo, Malthus and Mills. The main thrust of the writings of these writers is economic growth and its determinants. For example the role of agriculture in economic growth has its origins in the postulations of these classical economists. However, "they differ in certain aspects especially in the importance or weight to be attached to agricultural growth". (Dunmoye:145).

By economic growth here, we "refer to a steady, and sustained process of increasing productive capacity of the economy, and subsequently of increasing national income. Economic development refers to the process of growth in total and per capita real income, accompanied by fundamental structural transformation of the economy. It is often associated with technological change and organizational modernization". (Ibid:189) While

Ricardo and Malthus feared that economic growth might be halted by diminishing returns in agriculture, Smith and Mills differed in their own postulations. Smith and Mills laid much emphasis on the mercantile philosophy which view trade, particularly foreign trade and commerce as the most important factor for the initiation and promotion of economic growth.

A school of thought known as the physiocrats was to emerge in the 18th century France to counter the dominant economic development philosophy of that time which had relegated the role of agriculture to the background in favour of mercantilism and commerce. The physiocrats believed that, "the non-agricultural sector did not generate any economic surplus, and that only agriculture produced economic surplus or net product over cost of production, and therefore played the most fundamental role in economic development. They argued further that the rate of growth of the non-agricultural sectors was dependent on the rate of growth of the agricultural sector which flourished most in a system of free enterprise". (Spengler, 1960:8).

Francois Quesnay is the central scholar of the Physiocrat School. He posited that not only was the generation of surplus confined to agriculture but also that the size of the surplus was determined by the techniques of farming or the capital intensity of agriculture. From the assumption, "that an economy's effective demand for marketable output depends on the expenditure of the agricultural surplus, which has a multiplier effect on demand, and the idea that the relative sizes of the agricultural and industrial sectors of the economy depend upon the distributions of demands in them, he concluded that economic development in a country was impossible without agricultural growth." (Eltis; 1975:7).

The physiocratic theory "with its recognition of the central role of agriculture in economic development continued to influence economic thinking for some time. The physiocratic ideas on competition were accepted

by the classical economists and never ceased to emphasise the importance of Agriculture in economic development". (Dunmoye, Opcit:148) In his "The Wealth of Nations, Adam Smith specifically referred to the agricultural sector, although he laid due emphasis on the non agricultural sector, especially manufacturing". (Hollander:1973:3-10).

Smith specifically and basically stated that the economic well-being and growth of society is dependent on agriculture; he argues: "Agriculture is of all other arts the most beneficent to society and whatever trends to retard its growth/improvement is extremely prejudicial to the public interest. The produce of agriculture is much greater than that of any other manufacture. The rents of the whole lands in England amount to about 24 millions and as the rent is generally about a third of the produce, the whole annual produce of the lands must be about 72 millions… whatever measures therefore discourage the improvement of this art are extremely prejudicial to the progress of opulence" (Smith, 1963:224). Adam Smith's almost total emphasis on agriculture as a determinant for economic growth can be attributed to the few number of manufacturing industries at that point in history while fixed investments were insignificant relatively speaking.

By the year 1817, it was no longer possible to ignore fixed capital and the manufacturing sector. Ricardo while writing his PRINCIPLES therefore "endeavoured to build and improve upon Adam Smith's one sector model and gave agriculture the position of the prime mover in economic growth. Ricardo followed the footsteps of the Malthusian's in postulating that real wages could not fall below the limit set by the cost of the workers' subsistence. In the absence of technological change in agriculture and in situation of constant population pressure on land, there would be diminishing returns in agriculture", (Maltus; 1798:10). By logical extension, "the disappearance of profit from the agricultural sector would inevitably lead to

zero profit industry, thus bringing the process of economic growth to a halt". (Dunmoye, Opcit:149).

The physiocratic and the classical economics schools which supplemented Malthusians, gave agriculture a central role in economic growth. The economic surplus generated by the agricultural sector. "is seen as setting the limit to the process of expansion for the whole economy. This surplus is defined as the excess of product which remains after wages and other costs of production have been paid and is therefore regarded as equal to rent plus profit which together combine to constitute the society's net disposable income. Both schools stressed that a laissez-faire system which ensures competition tend to create optimum condition for economic growth." (Ibid:149).

(a) ii. **SOCIALISTS, MARX AND MARXISTS:** This school, although interested in some of the central problems of classical economics were more or less essentially concerned with the examination and analysis/articulation of the dynamics of capitalism and its inherent exploitative nature, contradictions and instability. Marx's economics was essentially that of the classical school, although he changed the pre-occupation of economics with agriculture. Karl Marx "believed that capitalism was a stage in the evolution process, removed from the primitive agricultural economy and moving inexorably towards the elimination of private property and the class structure…" (Denis; 1982:127-154). Marx in analyzing agricultural ground-rent assumes that both agriculture and industry are fully capitalist but that, there is a lower organic composition of capital in agriculture than in industry so that production value is higher in proportion to that capital invested in agriculture than in industry". (Marx; 1959:615-639).

It is significant to note that Marxism has provided a useful theory for the explanation of socio-economic phenomena, so that "the neo-Marxists and 'dependentists' as were to use Marxian problematic essentially to explain the capitalist transformation of third world agriculture or how the Asiatic mode of production is being transformed and incorporated into the circuit of capital." (Dunmoye, Opcit:150). The Keynesian intellectual revolution of the 1930s brought along with it, fresh interest in economic development. This threw up a spate of theoretical literature on economic growth with special reference to agriculture. Two recurring concepts in the post war economic development literature, are disguised unemployment and dualism. These concepts have generated a lot of interest, debate and controversy.

(b) **DISGUISED UNEMPLOYMENT**:- This theory gained currency through Nurkse who argued that "development could be accelerated through measures which mobilized the concealed savings in the surplus agricultural labour in social overhead construction." (Nurkse, 1953:120). Disguised unemployment refers to the case in which the marginal produce of labour is zero or negative. It is defined by economists as the existence of a portion of the labour force which can be removed without reducing output" (Ibid:118). This theoretical postulate came under very serious attack in the 1950's. Although following this attack some writers/theorists shifted their positions, the concept still has some adherents. This issue has more relevance in relation to developing countries because of the burgeoning nature of the population of these countries and low productivity in agriculture, especially in Southeast Asia and Africa. In the early 1960s what was identified as the most

serious problem in the underdeveloped countries is that of disguised unemployment" (Khan;1961:155).

The issue of overpopulation has been addressed by some theorists who tried to find a solution to it. For example, Georgescu – Roegen posited that, "overpopulation exists in many countries, and he tried to present a theoretical rationale for an institutional structure which will employ the residual population until an increasing portion can be absorbed into the non-agricultural sector", (Goargescu – Roegen; 1960:1-40). Georgescu – Roegen argues further that, "neither socialism nor capitalism are efficient forms for such organization of agriculture in overpopulated lands, but under feudalism however, total agricultural output may be maximizing along with higher labour utilization since the governing principle of peasant employment is total family output, not marginal productivity and that's if planners adopted the marginal principle, prematurely in overpopulated countries, it will increase leisure and reduce agricultural output" (Charles etal; 1961;129 - 144).

(c) **TWO-SECTOR MODEL AND SURPLUS LABOUR**:-

The two-sector model otherwise known as Dualism is another theoretical concept, which has been recurring in the economic development literature. The concept, which was put forward by Boeke in 1942, suggested "that an economy has modern or advanced sector and a traditional sector. He based his theory on cultural contrasts and sociological underpinnings" (Boeke; 1953:49 – 115). Lewis anchored and gave this theoretical construct a boost when he came up with his celebrated "two-sector growth model. In this model, the economy is divided into a capitalist or advanced sector and a subsistence sector" (Lewis; 1954:25).

According to this theory, "the capitalist sector expands by drawing the cheap agricultural labour into its employment. It posits that, there is a great pressure of population on land in many Third World countries, which is exemplified by an almost unlimited supply of labour in the rural sector. It is possible that a greater percentage of the rural surplus Labour force is not a state of formal employment, since they maintained in the agricultural sector at near subsistence level and participate in various types of seemingly useful agricultural works" (Ibid:26). Lewis goes on to suggest that it is possible to siphon off the surplus labour, particularly unskilled labour from agriculture to industry at a constant rate which is determined by the subsistence level of income in the rural sector. Lewis follows the tradition of classical economists who postulated that the supply of labour to industry in an underdeveloped economy is perfectly elastic at a given wage rate.

Summarily, the approach is concerned mainly with reallocating labour from a stagnant/nonproductive agricultural sector to a moving industrial sector and the squeezing of capital out of a developing agricultural sector for investment in the non-agricultural sector.

(d) **INDUCED INNOVATIONS**:- This is regarded as "a production theory which is aimed at providing a theory of development within the agricultural sector" (Hayami & Ruttan; 1971:8). Hayami and Ruttan are the co-propounders of this theory. This theory is basically and essentially concerned with the role of factor prices in inducing institutional change and technological innovation can be brought in the agricultural sector and how latter development give rise to increased productivity in agriculture. They argued that, "relative factor prices will induce not only farmers and farms supplying inputs but also agricultural

administrators and scientists to emphasize institutional and technological innovations that will economize on a country's scarce factor of production. Japan and the United States illustrate how contrasting patterns of technological change and output expansion represented appropriate response to very different factor availabilities and prices" (Ibid:10). They also posit that the development of agriculture can only be fully understood in the context of the national economy.

These form the mainstream theories of economic development and we posit that any issue relating to economic development can best be understood when it is located within the perspectives of the major economic theories that have been reviewed under this section or segment of our research. This is more so, when as it could be discerned from the postulates, the writers individually and collectively dwelled on issues of underdevelopment and economic transformations of new nations.

Suffice it to say that there is a lot of literature on our field of study the fact however remains that it is impossible to cover all of them. moreover not all of them can qualify as the main stream work of studies that address our topic; we have therefore restricted ourselves to the major works and the common ideological view points, theoretical perspectives, opinions or ideas that run through available literature.

2.04. **THEORETICAL FRAMEWORK**:-

In line with the spirit and tradition of scientific research in the social sciences, we have to identify an appropriate theoretical framework that will help in our investigation and serve as a guide in both conceptual and data analysis. In doing this, available theoretical perspectives are considered on their individual merit and relevance to the issues that are being investigated.

Researchers considering the role of the World Bank and I.M.F. and their economic recovery policies and conditions have often adopted one theory or the others as tools for analysis. The theories that are commonly considered include: systems theory, structural-functional theory, Games theory and communications theory. These theories have their

limitations and we therefore considered all of them as not capable of sufficiently explaining the issues that this work sets out to investigate; that is: The Role of International Monetary Fund in Economic Recovery Programmes in Nigeria: The case of the privatization programme; 1999 – 2006.

There are two competing paradigms or models of theoretical understanding which seek to explain why some nations are poor while others are wealthy. These are theories of modernization and imperialism. According to Rood (1978:428), "Each paradigm has its own clue concepts, or key explanatory categories." Those who propagate the theory of modernization can be identified by their almost tenacious addiction to the concept "modern" and its permutations and by categories such as "institutional differentiations", "nation-building", "economic growth", "advanced industrial societies", "westernised", "backward", "primitive", "tribal", "detribalised" and many more (Rood ibid:429). On the other hand those who employ the theory of imperialism have as their clue concepts such as "dependency", "neocolonialim", "liberation", "exploitation", "late capitalist societies", or "societies in the stage of monopoly capitalism" Rood, Ibid:430).

The modernization theory is too patronising as its theorists, "most often end up with eventuating ethnocentric recipes which admonish the poor societies to imitate them all the way and they would acquire a sudden leap into the league of developed countries. In other words, join the Calvinistic cult and you will experience a sudden leap into modernity" (Offiong, 1980:14). The theory of imperialism on the other hand derives its inspirations and concepts from Marxist sources. In a nutshell, that the wealth and poverty of nations result from the global process of exploitation. This is the situation that Andre Gunder Frank refers to as "the development of underdevelopment" (Ibid:14). The argument here is that the problem of the poor countries is not the lack of technological know-how, cultural attributes conducive to development or modern institutions but that they have been subjected to the international capitalisation system and its special imperialists agents both domestic and foreign. The infiltration of western capital into the poor countries has resulted in situations characterised by economists, as "growth without development", as in particular and specific cases of Liberia and Ivory Coast (Ibid:14).

The concept of "dependency" coined by Brazilian Sociologist Fernando Henrique Cardoso helps to link both economic and political analysis; that is, it links those who are beneficiaries of development with those who make the decisions. Conceptually, dependency

simply states that, crucial economic decisions are made not by the countries that are being "developed" but by foreigners whose interests are carefully safeguarded. Foreigners use their economic power to buy political power in the countries that they penetrate. This "collusion between foreign economic and political power distorts both the economy and the policy of the dependent countries. Out of this situation emerge political alliances between the domestic and foreign bourgeoisie. The process is now complete because just as the metropolis exploits the colonies, so does the domestic colonial bourgeois class exploit the rest of the population" (Rood: opcit: 431).

In his book: IMPERIALISM: THE HIGHEST STATE OF CAPITALISM (1916) Lenin posits that the evils associated with foreign capitalist penetration of the poor countries are the necessary concomitants of capitalism in its present stage. He argues that the development of England was assisted by the exploitation of India and Africa. The imperialists still need to exploit colonies for raw materials and to also expand their capital in the developing countries. The internal contradictions of capitalist societies about which Marx had written forced capitalist societies to immerse themselves ever so deeply in imperialist adventures in other countries.

There are numerous implications inherent in the regional disparities and national development. As long as the underdeveloped countries continue to depend on the industrialised countries, the gap of disparities between them will continue to widen. The dependency issue over some of the structural implications of disparities among nations centres on multinational corporations. In this regard, it should be noted that the controversial centre-down development paradigm is primarily and essentially centred on international context rather than on economic development of individual countries.

However, "the extension of the operation of multi-national corporations into the underdeveloped countries has serious consequences on developmental contexts as the status of peasants in rural areas and workers in urban centres is continuously being undermined (Gilbert, 1975:30). It is worth noting that the notion of economic polarisation and developmental purposes has failed because the approach erroneously assumes that there are no structural units among social, economic and political phenomena, which implies that social objectives can be reduced to purely economic terms. The approach "also assumes that, international relations takes place in a harmonious fashion or context. Further assumptions also show that the state is taken as an idealized autonomous element in the social system.

Finally, the strategy assumes that polarization mechanisms can be produced independently at any level" (Caraggio, 1973:369-372).

Growth pole strategy of the centre-down paradigm of development maintains that with limited resources it would be inefficient and ineffective to attempt to sprinkle development thinly over most of the national territory. One of the fundamental problems of the under developed countries is that they have been oriented to adopt and or explore bourgeois development theories and methods which eventually result in structural dependence. This dependence has manifested itself in underdevelopment, inequalities and deterioration of other material conditions of living.

The centre-down development paradigm has been criticised on the ground that the strategy can no longer hold ground especially when capitalism entered its permanent crisis stage. The transition of development strategies from the top-down to bottom for the underdeveloped regions is problematic because these regions were historically subjected to external domination. They were additionally incorporated "within the sectoral and spatial patterns of development from 'above' with a uniform concept to strive for a uniform transitional process to follow. Under the development from below strategies, each region/country would devise its own model with some required features." (Caraggio, Ibid:372). Bourgeois development theories as argued earlier, draw their empirical backings from western Europe where they originated. Many postulations indicate that the theories could be mechanically explicable and applicable in any society. However, when they were brought to the third world, the distinctive differences began to emerge. As peculiar socio-economic and political features in the third world differ, from those in the western Europe, the need to fill the vacuum has therefore arisen. Issues like population growth, data on for example, education, health institutions, cultural values, religion and the like need some critical analysis. However, very important elements like political leadership, political system, democracy and the rest also need to be considered.

Having examined some of the bourgeois development theories, it is important to place them within the criticism of Underdevelopment and Dependency Theory (UDT); and at the same time, evaluate the origin and logical position of the UDT with regards to its consistency, validity, credibility or general practical applicability. The relevance of any development theory must be examined against the background of the nature of its direction, while at same time equally examining the historical and social environment within which the theory is built.

The class interest the theory is designed to protect also must be considered. It must be understood that the "existing technological body of bourgeois development theories have not been able to explain what needs to be explained" (Meir, 1976:69).

Since bourgeois development models "lack realism concerning underdeveloped regions, with regard to the application of orthodox or neoclassical economic theory, the issue of relevance is raised as they are inextricably imbued with preconceptions and biases in favour of laissez-fair, liberalism or free trade" (Meir Ibid:73).

As serious problems of poverty and inequality in underdeveloped regions have continued to remain without any feasible solution, growth has also been unevenly distributed among and within regions. It is argued that inequality and incidence of absolute poverty have increased in the underdeveloped countries/regions which makes it rather impossible for them to deviate or devise different approach to overcome the endemic problem of economic underdevelopment. Basic needs approaches are essentially addressed to the problem of poverty. Some approaches are conservative while others are radical; depending on the degree of change envisaged. The World Bank is the most influential international agency involved in the conservative strategy of the basic needs. The official view of the World Bank contends that "poverty problem arises from factors that are internal to each developing country and its eradication therefore largely depends upon governmental policies and actions directed towards these internal barriers to development" (McNamara 1975:8).

As there has always been a growing concern for a growing number of people who have continued to suffer from malnutrition and other related epidemic diseases, as a result of inadequate services like water etc; the nature and content of the relationship between adequate satisfaction of basic needs and development are very remote. In this regard, explanations on why basic needs are not fulfilled would unveil some basic questions about development. Explanations on these issues would have to be all-encompassing, holistic and within the terrain of international economic environment.

The hostility of the international economic set up is reflected and characterised by the preponderant inequalities in income distribution and consumption are determined by a few industrialised countries. Furthermore, domestic patterns of production in underdeveloped states are perilously instituted, distorted and out of their control and ownership by tilting towards satisfying outside requirements rather than the basic human needs of the

communities. In addition, international inequality in income distribution is further replicated within the underdeveloped countries." (Marawetz, 1977:58).

The most important of basic needs, which is food is indispensable to survival, yet, capital penetration through either multi-national agribusiness or through the choice of agricultural technology and other inputs has paradoxically rendered local production of food grossly inadequate especially by supplementing the "pattern of production with high exchange value" (Masawetz Ibid:60). Other reinforcing mechanisms in the industrialized states into under developed regions have resulted in shaping the state of the elites.

According to Eddy (1981:115), "Imported ideology shapes the goals of the poor countries and through the action of the elite it shapes the pattern of consumption, production and technology. Luxury industrial goods, luxury western styles, housing, medical services etc. come to dominate the structure of economic activity. The penetration of multinationals of the production process and even the mass media, perpetuates and reinforces these tendencies. This results in situations such as setting up of Coca Cola factory before there are even adequate supplies of safe drinking water". (Eddy, Ibid:117).

U.D.T. AS ALTERNATIVE PARADIGM

As an alternative view to the problems of development and underdevelopment, the Underdevelopment and Dependency Theory (UDT) was developed within the structuralist Marxist framework of analysis which also gave rise to the dependency theory. It is relevant to understand that within the literature of economic development, underdeveloped countries are also described and or classified as dependent economies as they were affected by the phenomenon of colonialism. This research finds UDT handy because of its relevance. UDT is a derivative of Imperialism. The theory sprouted as a result of the criticism of international trade theory under the auspices of the United Nations Economic Commission for Latin America (ECL). Thus, the internal trade theory conventionally explained the structural failures or obstacles associated with the Latin American and the Caribbean economies. The theory further adduced the reasons why the economies have failed to develop in spite of the policies adopted to overcome or even transform and change the structures.

The first policy thrust was on inward-oriented development strategy through import-substituting industrialization while the second was on an increased foreign investment. These policies brought further barriers and obstacles which required a revision of the adopted

strategy with its problematic high import content. The plant industrialization and the preponderant existence of highly unequal income structures, urban-rural imbalance etc required further revision. The barriers and obstacles were further compounded and became more pronounced when new strategies were adopted. As Colin Weys would put it; "as the layers of structural obstacles were identified they came more and more to be seen as part of a long-term process involving successive stages each with its distinctive institutional mechanisms reinforcing or modifying economic and social structures, but always reproducing their fundamentally subordinate character, serving development elsewhere, minimising its benefits and maximising its costs locally" (Leys, 1978:15).

It should be noted that underdevelopment and dependence are not conditions that affect all countries or stages in the path of development. On the contrary, development and underdevelopment are opposite sides of the same coin." (Frank, 1967:20). In other words, the development of some countries simultaneously led to the underdevelopment of others. Szentes argues succinctly that, "it is the product of a specific development which is most closely connected with, moreover derived from the development of capitalist world economy (Szentes, 1971:30).

UNDERDEVELOPMENT AND DEPENDENCY THEORY (UDT): A CRITIQUE

Although the U.D.T. is a child of criticism of the bourgeois development theory, it however has some inherent features or colouration of the latter theory. To this extent, UDT has itself been criticised, just like the bourgeois theory of using preponderantly and broadly gauged concepts; for example, the centre-peripheri-terminology.(Nabudere 1977:224) argues and demonstrates thus: "a good number of the UDT studies, particularly those of Sweezy and Barak (Monopoly capital) and Samir (Accumulation on a World Scale); certain amount of awareness is exhibited of the inter relationship between the two (centre and periphery). Yet, the emphasis given to narrow analysis of the separate areas has tended to create a distorted and indeed anti-Marxist-Leninist picture of monopoly capitalism and imperialism."

Another theoretical issue that confronts Underdevelopment and Dependency Theory (UDT) is the question of exploitation. The issue is being questioned on grounds of clarity on the issue of whether or not the masses of the underdeveloped countries suffer from exploitation; and if they do, to what extent? UDT Theorists consistently maintain that masses

of the Third World are exploited and oppressed and that the conditions of people in this region are direct consequences of their exploitation resulting in the extraction of surplus value during the period of the so called primitive capital accumulation and the colonial era and currently the neo-colonial process.

Theoretical polemics are rather too abstract but it should be noted that, for our purpose in this study, what actually matters is not to device a correct or incorrect theory of laws and relatively of the concept of exploitation between the Third and Capitalist Worlds and workers therein, but to connect a nexus and concentrate our focus on the mechanics of economic power of imperialism and its capacity to maintain its strangle hold on its sphere of influence through various ramifications of control and manipulative measures.

Underdevelopment and Dependency Theory (UDT) in its radical or Marxified structuralism, identifies problems but goes round to appeal for solutions to the problems to the same agencies and or organs that cause the problems. This results in continuous reoccurrence of the problems in cyclical patterns. For example the problem of import substitution industrialization, technology transfer, trade liberalization etc have tended to create more contradictions that have made the objectives of the economic reform policies of the Nigerian state unrealizable. Herein lies the relevance of UDT.

As Marxism is often mingled with structuralism, analysis ends up with different traditions within the theory of dependence.

2.05 HYPOTHESES/PROPOSITIONS

This study is arranged around five major hypotheses which we believe will guide us to a successful research into the issue at stake. The hypotheses can be summarized as follows:-

1. Application of I.M.F. Economic Recovery Policies in a developing country tends to aggravate the economic crisis which the fund sets out to address in such a country.

2. Over reliance on I.M.F. economic policies by any developing country could undermine the economic independence of the country concerned.

3. Privatization can lead to job losses and exacerbation of poverty.

4. Privatization can lead to exploitation of the country by foreign economic concerns, which could have far-reaching negative implications and could also jeopardise national interest and security.

5. Commercialization of public enterprises can lead to economic empowerment, and the growth and development of such economies that were hitherto under foreign powers.

These hypotheses will be tested against the background of the findings in the course of our investigations.

CHAPTER THREE

3.00 NIGERIA'S ECONOMIC CRISIS

3.01 INTRODUCTION:

The 1980s witnessed quite a number of economic crises in many developing countries especially and specifically in those countries that depended and still depend almost entirely on one single source of revenue (i.e. mono cultural economics) such as Nigeria (Petroleum) and Ghana (Cocoa) to mention a few examples. These economic crises did not even spare those countries that had been touted as model economies by the International Financial Institutions, the I.M.F. and the World Bank. The "so-called Asian Tigers such as Singapore, Malaysia, Thailand and South Korea were affected by the modus operandi of global finance capital (Jomo (ed); 1998:5).

The discussion of these crises and their adequate or proper understanding is important to our study because, it will help us in unveiling and revealing the structural foundations of the third world economies and their strengths and weaknesses in relations to the western world capitalist economies. By examining the phenomena of economic crisis that swept through the third world countries in the period under reference, we will be able to establish the causes of these crises and the relationship or otherwise of these crises to the characters and structure of the trouble economies.

Many explanations and justifications have been put forward as causes of the economic crises. However, since our case study in this research is Nigeria Privatization Programme, this chapter of the study concentrates on the Nigeria economic crises, its genesis, causes impact and the efforts evolved as the process of the resolution of the crisis. We also examine in this chapter the question of how effective the approaches to the resolution of the crisis have been.

The two issues of economic crisis and external debt are inseparable and one cannot be meaningfully discussed in isolation of the other. It is in this light that the issue of Nigeria's external debt is also analysed in all ramifications and from different dimensions. Who are Nigeria's International creditors and what role have they played in aggravating or ameliorating the impact or burden of the external debt. This will give us a good understanding of the processes of the debt crises management, which had led to the adoption of the I.M.F. policy measures that were expected to address once and for all, the economic problems, and lead to economic growth and development. This is precisely the concern, scope and focus of this chapter.

3.02 THE GENESIS OF NIGERIA'S ECONOMIC CRISIS

The crisis of the Nigerian economy has to be situated in its historical context for it to be properly understood. The seeds of the crisis were sowed at the time when the foundation of the post-colonial development path (which is lopsided) was being laid around 1945. Given the defective nature of the structure of the Nigeria economy, which was bequeathed to the country at independence, it was obvious that sooner than later, the weak structured economy was bound to experience a crisis of monumental dimensions.

The serious manifestations of the "economic crisis date back to the 1980's when the Nigerian economic boom abruptly came to an end and a deep seated crisis set in rapidly engulfing industry, agriculture and the country's payment positions, domestic price level and the general living conditions of majority of the people" (Olukoshi (ed), 1993:17). The Nigerian state under colonialism "sought in alliance primarily with foreign capital, to promote import substitution industrialisation, using peasant surpluses to finance the important of the inputs necessary for the growth and expansion of manufacturing activities. The rise of the oil economy in the 1970s led to the

use of petro-dollars for financing the import needs to industry in a context of growing oil exports and declining agricultural output" (Ibid: 20).

From a wider perspective, "the political, social and economic policies adopted by the colonial state in Africa further laid the basis for economic crises that pervade the various African states in particular and the developing countries in general. All these have undermined the emergence of strong and united nation – states in Africa, which could play decisive roles in international policies" (Alkali, 2003:67 – 68.).

Today, Nigeria is faced with persistent economic crisis characterized by serious declining export earnings, huge debts and high debt service obligations. The twin pressures for democratization and economic crisis have placed serious strain on the character of state politics in all developing countries Nigeria inclusive" (Ibid 264).

As earlier noted, the frail economic structure, beginning from the early 1980's, has been tottering precariously on the brink of sinking" (Olokun, 1982:584). Prior to the 1980s and especially for most of the decade of the seventies, the economy faired very well as Nigeria rode the crest of the oil wave with other OPEC membership-nations. Petroleum revenues "facilitated huge public expenditure for economic, social and institutional overhead facilities undreamt of in the earlier years" (Ibid:283). Since the Nigerian economy is yet to develop its own self-sustaining momentum, and a reliable productive base, "the oil demand crisis which emerged resulted in very serious cash-flow problems for Nigeria and crisis of confidence among the rulers and the ruled alike" (Ibid: 585). For instance, "the fourth National Development Plan (1981 – 1985) was to cost N82 Billion with the public sectors investment of N70.5 Billion and an envisaged private sector's spending of N11.5 Billion. This plan was premised on an oil output level of 2.1 Million barrels per day (mbd) but, this target had barely been met only

once in January 1982; since them, the whole plan has been thrown out of gear" (Ibid:585).

Since then, the crisis, instead of abating has continued to heighten and worsen manifesting in many symptomatic forms. So far, there seems to have been about or even more than ten major symptoms, which can be seen to have persistently manifested themselves since it began in its present form in 1981" (Usman, 1982: 30 – 69). The symptoms as seen by government in summary are as follows:-

"(i) Lack of financial discipline;
(ii) Huge external debts;
(iii) Over-dependence on international and external borrowing;
(iv) Heavy budget deficits;
(v) A weak balance of payments position;
(vi) Kick – backs and other forms of corruption;
(vii) Inflation of contract sums;
(viii) Over-invoicing of imports;
(ix) Smuggling;
(x) Illegal dealings in foreign exchange;
(xi) Forgery, fraud, embezzlement, misuse and abuse of office;
(xii) Scarcity of food;
(xiii) Galloping inflation;
(xiv) Closure of factories;
(xv) Unemployment;
(xvi) Suffering of majority of the people while the leadership wallows in affluence;
(xvii) Perversion of the electoral process thereby threatening the stability and unity of the nation;

(xviii) Dcamage of the country's international reputation as a nation" (Daily Times, 1984-12 – 13); (Also see Appendix No. 1).

When the Nigerian economic crisis is situated against the backdrop of its remote and immediate causes of the country's economic dislocation we will discover that, there are some manifestations of international and domestic dimensions as well. The "immediate cause originated in the external oil sector while the past cause derived from the endemic structural deficiencies and also the past mismanagement of the economy" (Olokun, Ibid:585). Specifically in the first quarter of 1982, "a glut in the oil market suddenly emerged …. For the first time since OPEC assumed the role of price administrator, in the oil companies. This upset the fragile oil market as the crude spot process tumbled" (Ibid:586).

Consequent upon the draw down and the concomitant upset, Nigeria's top quality oil nose-dived and the 1982 budget plan that was based on 1 – 3 mbd at $36 per barrel was shattered. In addition to the unprecedented de-stocking, the global oil demand crisis was attributed to (i) a fundamental fall of in demand for oil as an energy source, (ii) the menacing role of the non OPEC producers and (iii) the continued recession in the industrial countries of the west and Japan" (Ikein, 1990:19-22) Nigeria was caught completely off-guard when the oil glut crisis broke out. This was basically due to the monoculture nature of the country's economy; "Nigeria suffered huge revenue losses from the 1981 oil crisis and her output level of 1.75 mbd in January, 1982 was the highest since the lowest of 700,000 mbd of July 1981" (Ibid 24).

The full manifestation of the crisis of the Nigeria economy found expressions in various facets of the country's political economy with devastating consequences. Olokun (1982) likened the various arms and levels of government in the country to "a squad of recruits who were

marching in different directions and banging into one another. There was glaring waste at the Federal Government level, while many state governments ran unbelievably large budget deficits. On its own, the National Assembly gleefully removed many commodities from the specific license, which enormously facilitated their importation. Nigeria's total import value climbed from N9.66 billion in 1980 to a record high of N12.01 billion in 1981. On a monthly average basis, the value of imports in 1979 was N711 million which rose to N1 billion in November, 1980 and an unprecedented value of N1.2 billion average for 1981. the foreign exchange, reserve declined steadily from N5.1 billion in July 1981 to N1.8 billion in March, 1982. Thus the Nigerian society pathetically watched the runaway import bills and the dwindling foreign earnings" (Ibid: pg 587).

The economic crises continued to deepen and by the last week of March, 1982, "the economy was virtually under siege as the nation's outstanding financial commitments stood at N4.92 billion, 52% or N2.58 billion of which should be honoured within the next three to six months and the rest, N0.58 billion to be serviced in twenty months time. Against the background of a total foreign debt of N8 billion, (apart from commitment entered into through the opening of letters of credit), the bleak prospects the oil market and foreign reserve that could not cover one month imports, the situation had actually become precarious for Nigeria.

One very major and important problem with the Nigerian economy, which has reinforced the problem arising from the dependence and its weak structured nature "is the over-dependence of the economy on oil. This dependence on the one major export commodity – Petroleum, which is subject to the vicissitudes of the world markets has been an important factor in unstable government revenues. For instance, between 1977 and 1879, Petroleum-based revenue accounted for 72.9 percent of total federally

collected revenue and between 1980 and 1982 that proportion remained unchanged at a level of 72 percent" (Mohammed and Edoh (ed), 1986:113). This fluctuation "affected that trends in aggregate revenue significantly; for instance, when petroleum revenue declined by 25.1 percent in 1978, aggregate revenue also declined by 8.3 percent" (Ibid:113).

In line with the above aggregate revenue increased by an average of 43.8 percent a year in the following two years largely because petroleum revenue increased by 67 percent per annum. Similarly, in 1981, and 1982, Petroleum revenue declined by about 50 percent while total revenue fell by 33 percent. Non-oil revenue from import and excise duties, company income tax and interests and payments accounts for an insignificant portion of the nation's total revenue and besides`` , it is affected by the fortunes of the oil sector" (Ibid:14). Another problematic of the Nigerian economy that helped in kick-starting the country's economic crisis was the pattern of public expenditures, which had since assumed a greater role in determining the directing of economic activities.

The crisis situation become more serious and worrisome when the levels of government expenditures outpaced the levels of recurrent revenue and domestic output. For instance, precisely "between 1977 and 1979 the federal Government received an average of N7,156.5 million in recurrent revenue but total annual expenditures exceeded this by 8.5 percent. Again, between 1980 and 1982, the excess of expenditures over revenue was as high as 46.6 percent per annum. In the period also, the excess of expenditures over revenue of the State Governments was even higher amounting to 93.5 percent annually" (Mohammed & Edoh, Opcit: 115). The failure of revenue to keep pace with government expenditure as outlined brought a major problem inform of increasing level of deficits which had some pervading influences

on the economy. Between 1977 and 1982 for example, budgetary deficits were recorded by the Federal Government each year except 1979.

The largest source of finance for the deficits was the Central Bank while the commercial banks and the non-bank public provides only a small part. That impact of this mode of deficit financing had been responsible expended by as much as 94.9 percent in 1980 and recorded an average increase of 30.4 percent for the 1977 – 1982 periods. With the sluggish performance of domestic output during the period, the results were the huge deficits in the balance of payments and relatively high rates of inflation" (Green paper, 1983:58).

It is significant to understand that in spite of the economic problems facing Nigeria as a result of the country's near total reliance on one export commodity – petroleum, she is yet to diversify her export goods and has continued to depend on petroleum demand more than two decades after the country was suddenly thrown into economic crisis of unprecedented dimensions. As at today (2004), "Nigeria still depends on the petroleum demand of industrialized economies to finance its social and economic development. Development plans remain totally oil-revenue-dependent. Since Nigeria began to increase its oil output, oil revenue has come to play a dominant role in all government economic development schemes" (Edelstein, 1987:25).

A number of scholars such as Olukoshi (1991b:30), 1990), Okongwu (1987), Bangura (1982), 1989, 1991), and Beck man (1990) have argued that the contradictions in the post-colonial industrial and agricultural development strategy combined with structural, inter- and intra sectoral imbalances to underline the fragility of the Nigerian economy and its acute vulnerability to a volatile external environment. In its effort to address the economic crisis which had manifested in huge deficits in its budgets and deficits in external

payments from 1982 onwards, "the Nigerian state embarked on foreign borrowing from private and official international sources to sustain some of its spending programmes. This borrowing spree was to lay the basis for another dimension of economic problems – the debt crisis, which has served to compound the problems afflicting the wider economy" (Olukoshi:;1990:10).

Over the years, the Nigerian economic crisis had deepened and widened, making the search for its solution the major pre occupation of every Nigerian governments since the Shagari regime in the early 1980s. It is this concern and determination to resolve this prolonged economic crisis that has led the governments to embrace the various I.M.F and World Bank – prescribed economic reform policies and programmes. One curious aspect of the situation is the fact that in spite of these reform policies that have spanned about five or six different regimes, no meaningful breakthrough has been achieved. The Nigerian economic crisis and the need for its resolution is what has informed the introduction of the current unprecedented reforms, which were introduced at the inception of the Obasanjo administration in 1999.

The search for "explanations cum solutions to the Nigerian economic crisis has been the object of intense scholarship. The debates and or arguments have centred mainly on finding the most accepted reasons and solutions in the quest for genuine economic development" (Ake, 1996:8). Due to the persistent involvement of the Bretton Wood Institutions in the search for solution to the economic crisis of the Nigerian state, ordinary Nigerian have come to associate the control of the World economy with the World Bank and the International Monetary Fund (I.M.F). The crux of this study is the I.M.F Policies and their impact on third world countries as already spelt out. In the process, the Nigeria's economic crisis is being considered vis-à-vis the country's privatization programme within a time frame of between

1999 – 2004. Without the Nigeria economy crisis as it were, there perhaps would have been no need for the I.M.F policies and vice versa. To this extent, the economic crisis forms a major plank to our study. The I.M.F. policies are being discussed from the standpoint of the question of their appropriateness as solution to the Nigerian economic crisis. The Nigerian experience has shown that crisis beget crisis for it was in the process of searching for solution to the crisis that the country got entangled in more crisis such as the debt crisis.

3.03 INTERNATIONAL MONETARY FUND (I.M.F.) A BACKGROUND INFORMATION

Origin, Aims and Objectives

The I.M.F. has become a household name in contemporary Nigeria and the rest of the developing countries. However, little or no serious effort has been made to actually understand the I.M.F. as an organization; its origin, the aims and objectives which informed the formation of the organization and its modus operandi and the relevance or otherwise of these to the economies of the developing world are yet to be fully understood and appreciated.

It is our believe that no good understanding of the economic activities of the I.M.F. can be achieved without an equally good examination of the history of the Monetary Institution. For instance, when was the I.M.F. established, who are the pioneer member countries and for what objective or purpose was the Fund established. Is the I.M.F. politically neutral? What role do the developing countries play in the I.M.F. decision-making process? Does the fund genuinely believe in the promotion of the economic development of the Third Wold countries? Will the I.M.F's genuine commitment to the economic development of the Third World nations not

affect or injure the economic/national interests of the leaders of the Bretton Woods Institution? Has Nigeria in particular and other Third World countries in general benefited from their membership of the I.M.F.? It is when these questions are fully addressed that we will be able to appreciate the nature, character and usefulness or relevance of the Fund in Nigeria.

This chapter traces the origin of the I.M.F. situating it within an epoch in the development of capitalism. The contemporary perspectives of the Fund's operations are also articulated.

The I.M.F. is best understood in all its ramification when examined against the backdrop of the evolution, operation, growth, spread and development of World capitalism. As capitalism progressed, it reached a stage when Banks started coming together. This happened precisely in the late 1880s. At this stage, Banks no longer regarded their services as merely restricted to money-lending. This basic function of the banks became of secondary consideration and by extension of less importance. In their renewed drive to strengthen their positions, the banks began to invest directly in industries giving rise to financial oligarchies.

Having accumulated enormous funds the banking monopolies transformed from purely credit operators to acquiring massive industrial stock through purchase of the stocks and participating in the new corporate ventures. The banks moved rapidly from being middlemen in credit and payments operations, becoming giant monopolies. Similarly and as a response to this development, the big industrial capitalists started buying up the stock of the banking monopolies and establishing their own banks. This situation created a web of interwoven activities in "an interpenetration monopoly banking and industrial capital" (Busuev 1978:12).

It is interesting to note that this new arrangement shifted the main focus of capitalist development and capitalist penetration. It "led to the

emergence of finance capital which has now moved into all spheres of capitalist enterprise and bent all economic life in the capitalist countries to its interest" (Ibid:128). Finance capital became well concentrated at this stage, "in the hands of financial oligarchy, a small stratum of bourgeoisie, dominating all the sectors of the economy and having important roles to play in economic, business and political spheres of society… the financial oligarchy exercises its domination through a system of personal union and holdings which enables the financial magnets to control and wield vast amount of capital" (Ibid:129).

It is significant to underline the importance of the export of capital which forms an essential element "within the system of economic relations of monopoly capitalism, for, it helps the big monopolies to step up the spread of capitalist relations of production all over the capitalist world" (Ibid:30). Many mechanisms and or schemes have been devised to make the capitalist market not only dynamic but manipulative with schemes such as hire purchase, export credit, syndicates, cartels, consumer banks, credit cards, advertisements and various loan arrangements. This was the idea that informed the establishment of the International Monetary Fund (I.M.F.), in 1994, in Bretton Woods, New Hamshire, United States of America. A total of forty-four countries were represented at the inaugural conference of the Fund.

The I.M.F. "was established for specific International economic purposes. Its role or function is beneficial to all member-states and the international economies at large" (Owoeye; 1993:100). According to the founders of the I.M.F., the organization "was intended to promote the flow of international currency flow-stability. This function was to be fulfilled basically by rendering some assistance in financing of temporary balance of payment deficits while at the same time, making provision for the progressive

elimination of restrictions" (Daily Times: 1987:4). It was also to ensure that "accepted rules of international conduct were strictly adhered to" (Ibid:5).

The motivating consideration of the I.M.F. also had to do with the "problem the world faced before 1944, that is the unnecessary and negative competition and the devaluation in the exchange rates. This problem was compounded by schemes of the various monetary blocks at the time when there was not international cooperation" (Adeniran; 1983:151). It is therefore "necessary to find the solution to the problem which contributed to the worsening of the world economy and the overall relations among states. It became imperative to evolve an international economic system that would prevent any future economic crises and possible collapse" (Ibid:152).

The allied powers were of the view that "by coordinating their monetary policies, it would be possible to prevent political crisis that could lead to military conflicts among them. The governments were therefore to arrange a system which would standardize the currencies of the various states that were involved in the formation of the International Monetary Fund (IMF)" (Ibid:152). The founding members of the I.M.F. decided to institutionalize the various monetary policies in such a way that "it would become an International Monetary order. There was the need to have a structure which would respond to immediate needs of countries involved and provide them with the much needed institution to monitor and control the flow of money and general transactions among states at that time. The Fund was conceived as a system of monetary arrangement that could ensure the valuation to gold and American dollar which was to be pegged at the rate of thirty-five dollars per ounce of gold" (Daily Times; opcit:6). The currencies of European states and some developing countries were also equally to be pegged in relation to the American dollar.

Fundamentally however, by the time the inaugural conference of the I.M.F. was convened by the free Nations, "there had already began widespread feeling in the western industrialized nations on the future of international trade" (Nwankwo; 1986:164). This feeling was concerned mainly with the "the shape international trading arrangements would take after the war in order to prevent the type of slump that occurred over a decade earlier" (Ibid:164). The Bretton Woods meeting that gave birth to the I.M.F. was dominated by United States of America, the host country. Memoranda were presented but the one that were most effective and readily adopted by the participants, were those of the U.S.A. The proposals presented by Britain and Canada were also later considered and included. Although the I.M.F. was fully organized by 1946, the Institution only began exchange operations in 1947. Some of the specific objectives as enshrined "in the Article of Agreement include; a comprehensive plan to restore World Trade after World War II and expansion of trade through borrowing, lending and the use of funds" (Ibid:164). There was also an agreement to simplify the transfer of money among nations in order to pay war damages and to prevent depression and unemployment" (Ibid:164). The I.M.F. also sought to assist its member nations in economic growth, high employment generation and improved standards of living. The Fund affirmed that the objectives of its economic policy were to facilitate the expansion and balanced growth of International Trade, the maintenance of real income and the development of the productive resources of its members. The I.M.F. would periodically review the economic and financial positions of its members and advise them on their policies. Such review is an essential part of a proposal by a member to change the parity of the its currency (devaluation and revaluation) or to draw on the resources of the I.M.F. outside quota limits" (Ibid:165).

It is worthy of note that it was also at the Bretton Wood conference that plans were drawn up for the World Bank (formerly known as International Bank for Reconstruction and Development). The agency in conjunction with the I.M.F. was designed to "perform Central Bank functions for the International economic system. All the member states were expected to establish a parity of their currencies in terms gold and in relation to the US dollar. They were also expected to make exactly 1% parity: (Adeniran; opcit:153). The I.M.F. helps to keep currency exchange rate constant while the World Bank makes long-term international loans and guarantees loans made through other banks. It is a precondition for "a nation to be member of the I.M.F. before it can belong to the World Bank" (Tew; 1977:101).

The World Bank was also given the responsibility of helping to facilitate reconstruction work that was needed after the destruction caused by the World War II. In this regard, the Bank was given an authorized capitalization of ten billion American dollars and was expected out of this, to grant loans and underwrite private loans as well as issue security to raise new funds in order that, the work of the European recovery could be rapidly achieved" (Robert; 1971:6).

Nigeria's membership of I.M.F. became imperative because she was in need and wanted to benefit from the resources of membership relating to the balance of payments problems. The Bretton Woods agreement recognized the gold as the unit of value, that is to say, each country was allowed to fix the value of her currency according to the determined value of gold at any point in time without necessarily using the gold value as unit of exchange for her currency. The dollar was therefore prescribed as the gold convertible currency" (Daily Times; opcit:5). As part of the arrangement, it was also agreed that "currency values of member countries were to be maintained at par value of one per cent through the purchase and sale of foreign exchange

of gold. It was also included in the clause that where a currency had become weak that its international value was no longer credible, a devaluation of about ten per cent could be allowed without a formal request or permission from the I.M.F." (Katari; 1990:4). The permission of the I.M.F. is to be obtained by any member country that wants to devalue her currency above ten per cent. "each member country's quota was to be contributed at 25 per cent either in gold or dollars while the remaining 75% would be paid for in local currency. The provision for borrowing permitted member countries to borrow 25 per cent gold trauche or its currency payment within twelve months. This include a hundred per cent quota totalling 125 per cent borrowing right" (Ibid:92).

It is very clear from the arrangement and the modus operandi of the fund that the I.M.F. seeks to control the economic directions of its member countries. It is in line with this that it is a tradition for Finance Ministers and Central Bank Governors of all I.M.F. member countries to be on the Board of the Finance Institution. From all indications, it has become clear over the years that, "the arrangement that was fashioned at the Bretton Woods between July 1st and July 22nd 1944 was carefully designed to encourage the stability of the monetary systems of the North and their economic expansion (i.e. the industrially more developed areas of the world)" (Nwankwo; opcit:165). After all, the conference was dominated by the U.S.A., Britain and Canada whose memoranda went into the formulation of the Article of Agreement. This is to the disadvantage of the South which comprises of the nations from the Third World.

This has serious implications for the economies of the developing countries. It is significant to know that, "when two societies of different sorts and which are at different levels of development come into prolonged and effective contract, the rate and character of change taking place in both

societies is seriously affected to the extent that entire new patters are created" (Rodney; 1974:30). As time went on, the real motives for the formation of the I.M.F., and the World Bank became clear. The use to which the I.M.F. is being put has exposed the fundamental objectives for the formation of the Fund.

From a contemporary perspective, "the I.M.F. has become largely an instrument for economic and ideological control of poor countries by rich ones" (South Magazine; 1985:30). The conditions on which developing countries obtain I.M.F. credit facilities are usually stringent and clearly antithetical to the aims and objectives for which these facilities are sought. These conditions are inappropriate to the circumstances of Africa and probably of the whole Third World. The I.M.F. is not designed to deal with structural imbalance. Its "credits are short-term and very expensive at 9 per cent interest, three years repayment and every developing country knows the litany of problems it will be confronted with, if she adopts the conditions" (Edelman; 1989:135). One of the conditions that has further led scholars and the intelligentsia of the developing countries to the question the intentions of the I.M.F. is the fact that when any of the more developed countries have cause to obtain the Fund's credit facility, the conditions are usually not enforced on them.

The I.M.F. "has never been inclined and or been able to impose financial discipline while the U.S.A. has had occasions to use the I.M.F. loan facilities. The U.S.A. has never been subjected to the stringent conditionality that others especially the Third World users are subjected. The U.S.A. being the largest shareholder in the I.M.F. direct the affairs of the Bretton Woods Finance Institute" (Jega; 2001:7). The I.M.F. cannot therefore be said to be politically neutral. In spite of their clear inappropriateness and ineffectiveness, the I.M.F. has continued to subject Third World users of its

credit facilities to the conditions which have remained the same over the years.

The conditionalities which usually come along with any I.M.F. loan/credit facility are:-

i) **REVIEWING OF PUBLIC EXPENDITURE:** Through this condition a borrowing nation is advised on the reduction in the aggregate expenditure of Government. The implication of this is a reduction in the productive and distributive capacity of the state together with a lowered provision of goods and services for the sustenance of life. Such a measure can be terrible in terms of its effect when applied to any Third World country where the state is not only the largest employer of labour but also the purveyor of all things.

ii) **REMOVAL OF SUBSIDIES:** The I.M.F. also puts as a precondition, a stop in the subsidization of petroleum products which is the best known source of energy. The overall effect of this action has always been a drastic increase in cost of the movement of men and goods. The I.M.F. also recommends the removal of subsidy on fertilizer. Removal of subsidies especially on petroleum products has often led to social upheavals in form of riots. For instance the SAP riots of May, 1985 which shook the then Nigerian Military Regime to its marrows. Removal of subsidy on petroleum products also leads to high inflation in all ramifications of the prices of goods and services with far reaching consequences on the people's living conditions.

iii) **REDUCTION OF GRANTS, SUBVENTIONS AND OR LOANS TO PARASTATALS:** According to the I.M.F., grants, subventions and or loans to government parastatals increase government expenditure and encourage wastes. As an alternative, the I.M.F. urges

the privatization of some of the parastatals. The unhidden consequence of this is a possible breakdown of the overall performance of the parastatals, high cost of services normally results in the lowering of life and impoverishment of the nation and its people.

iv) **STRENGTHENING OF THE OPERATIONAL EFFICIENCY OF REVENUE COLLECTION AGENCIES:** The idea behind this condition is that efficient Revenue collection agencies such as the Customs and Excise and Inland Tax and other revenue collectors will enable for quick and regular payment of I.M.F. interest rates. The long-term effect is the draining of the resources within the country to the outside capitalist West for debt servicing.

v) **EXPORT PROMOTIONS:** This condition is unambiguous in its intent and purpose. Since the exports of the Third World countries are mostly raw materials, these go a long way in promoting industrial growth in the industrial nations. When the borrowing country vigorously promotes the export of non-petroleum products which are raw materials, a reduction in their price will not only demoralize attitude to production but will also cheapen the commodities for the importing industrial nations.

vi) **EXTERNAL DEBT MANAGEMENT:** One of the I.M.F. conditions here, is a long-term programme of borrowing. The fund does not bail out the debtor, but engenders greater indebtedness. A foreign exchange oriented Budgeting means that resources are strictly channelled towards export including outwash cash flow, which caused the problem of the Third World in the first place.

vii) **PRIVATISATION OF PUBLIC ENTERPRISES:** This is one of the most controversial conditionalities of the I.M.F. The I.M.F. recommends the divestment of Government and sale of Government owned companies/corporations to the private individuals or groups. The philosophical underpinning being to make the economy private sector driven because of the believe that government has proved to be a poor manager of the economy and so it is often argued that government has no business being in business. It is important to note that this work is basically centred on the Nigerian Privatisation Programme as it is currently being implemented. Suffice it to say that we mention privatization here merely as a point of reference and in passing as it is one of the I.M.F. conditionalities that the Fund always insist should be implemented to the letter. This is aimed at entrenching capitalism otherwise euphemistically referred to as market economy.

viii) **DEVALUATION OF LOCAL CURRENCY:** This recommendation forces the borrowing country to devaluate her local currency usually under the guise that the local currency is over valued and at variance with the levels of the country's economic development. This devaluation usually increase the debt load and in effect, hikes the real income of the I.M.F. and the western economies. The nature of the economy which hinges on import and export will ensure the siphonage of the last kobo out of the country.

In spite of the involvement of the I.M.F. with its conditionalities which are expected to address the economic problems of the developing countries, the emerging scenario is disturbing because "the poorer countries are becoming even more impoverished and helpless mainly as a result of the policies of richer countries and the merciless of the creditor nations…"

(Owoeye; opcit:1). This situation has been attributed to the integration of these Third World countries into the World Capitalist Economy ever before their emergence as full fledged nation states.

The implication of "the integration of the Third World into the World Capitalist Economy is that a general economic crisis or problem of any hue is bound to affect all capitalist countries. However, some can be more adversely affected because in such cases, the weaker of the two societies (i.e. the one with less economic capacity) is bound to be seriously affected and the bigger the gap between the two societies concerned, the more detrimental the consequences" (Rodney; opcit:32). It has become very clear even to casual observers with a casual interest that, "the I.M.F. is an agent for world economic control and it does this through the dictates of economic policies that are designed to make recipient countries more dependent on the advanced capitalist countries. The pursuit of capitalist interest for growth and development of world capitalism is the philosophical basis for the establishment of the I.M.F." (Katari, opcit:94).

The least developed countries have continued to play a secondary and insignificant role in the I.M.F. policy decisions and fund allocations compared to the developed countries. Most of "the resources of the I.M.F. or facilities went to these industrialized nations at a time the Third World countries were gripped by persistent balance of payment problems, famine and low Gross Domestic Products (GDPS)" (Ibid:94). The I.M.F. "invests a sizeable portion of its funds in U.S. government securities and it has been extremely sensitive to the wishes of the United States of America and invariably does her biddings" (Jega; opcit:7). There have been outcries by the developing nations that the I.M.F. has failed in its policies as these policies have compounded there economic woes.

3.04 I.M.F. AND GLOBALISATION

The process of economic globalization may not be a new phenomenon because the economically advanced countries have through trade and production activities extended their outreach to territories all over the world. This phenomenon was intensified in the colonial era. Within the past two to three decades however, the process of economic globalization has accelerated as a result of various factors, such as technological developments most especially and particularly the liberalization policies which have snowballed across the world.

One thing that is specially unique about economic globalization is the breaking down of any economic barriers that hitherto existed between and amongst nations. This had led to the widespread of trade internationally and the intensification of financial activities across borders. Going simultaneously with this is the phenomenal growth and increase in the power of transnational corporations and international financial institutions in these processes. In this process of economic globalization, these international financial institutions such as the International Monetary Fund (IMF) and the World Bank have near absolute control and thus dictate the pace.

Another visible characteristics of economic globalization is that it creates unequal opportunities and benefits especially along the North-South dichotomy with economic trade and investment being focused in a few countries. Ironically however, almost all countries of the world are affected greatly by this process. While developing countries account for just a small percentage of World Trade, “changes in demand for or prices of their export commodities or a policy of reducing their import duties can have a major economic and social effect on these less developed countries” (Khor; 2000:1). Similarly, any adversity of global dimension such as the financial crisis is also bound to affect the countries or economies disproportionately.

The developing countries which constitute the weakest economies are bound to suffer more than the developed economies.

The external liberalization of national economies which is one of the features of the economic globalization process, involves the breaking down of national boundaries to economic activities. This gives rise to openness and the integration of countries in the world markets. In almost all the countries, national barriers are being neutralized or removed in the areas of finance and financial markets, trade and direct foreign investment. In all the aspects of liberalization, the process of financial liberalization has been the most pronounced. Progressive and extensive liberalization of controls on financial flows and markets has been the order of the day.

It has become clear that with "the demise of the Bretton Woods system in 1972 – 1973, an international trade in foreign exchange that has expanded at spectacular rates opened up" (Ibid:2). Since 1973, the volume traded in the world foreign exchange market has grown from a daily average of $15 billion to $900 billion in 1992 and by 2000, it had far exceeded $1,000 billion. As a result of the inter-connectedness of financial markets and systems vis-à-vis the vast amounts of financial flows, there had been a general and "increasing concern about the fragility and vulnerability of the system and the risk of breakdown in some critical parts or in the general system itself, as a fault developing in one part of the world or in the system could have widespread repercussions" (Ibid:2). This fear and apprehension has come to pass as the Wall Street financial crisis in the U.S.A. has since engulfed the whole global system. The Wall Street financial crisis has demonstrated in practical terms, the vulnerability of all parts of the global economic system and the fragility of the developing economies. It is worthy of note that, the current financial crisis has been preceded by "the East Asian financial crisis that began in

second half of 1997 and spread to Russia, Brazil and other countries causing the worst financial oil and economic recession" (Ibid:3).

The revolution in communications technology, especially in computing and telecommunications, "helped to transform the speed of international information and financial flows, and broadened the scope of international investment and trading" (Sen, 2003:7). However unequal exchange, unequal development, and communication poverty, "have put African and other less developed countries in a position of disadvantage relative to these trends of globalization" (Ibid:7). The more developed countries have ensured that a substantial proportion of their trade and other economic interests in the developing countries is secured and promoted through a combination of globalization of production and economic development being propelled by the instruments of economic mass expansion, the IMF and the World Bank. This has confirmed our contention that capitalism must always find outlets for its surplus capital if it is not to die. The spread of capitalism otherwise known as globalization must always go simultaneously with increased search and competition for areas for new investments.

It is from this perspective that the phenomenal spread of IMF and World Bank influence in developing countries can best be understood. The conditionalities that usually precede IMF prescription are meant to make the developing economies more conducive for foreign capital investments, increase in trade with metropolitan economies through the process of liberalization, privatization and removal of any restrictions to imports of all kinds. There has been "an increased use of non-tariff barriers which have affected the access of developing countries to the markets of developed countries" (Khor; opcit:3). Another important aspect of globalization which further brings out the inequality in the benefits accruing from this process is the fact that, developed countries hardly import from the developing

countries. Rather "the U.S.A. and European companies do import to and export from their production facilities in Africa and Asia" (Tew; opcit:45). The idea is to ensure that the overall impact on the U.S.A. and European income is much higher. It is equally noteworthy that these companies are primarily in the high technology area that has been the basis of the restructuring of the developed economies and the performance of equity markets.

It has been observed that central to the globalization of the past two decades, has been the globalization of finance. In recent years, "as a result of a range of developments, particularly in the developed countries, banks, pension funds and international institutional investors, have been awash with liquidity" (Ibid:68). As such agents search for avenues for investments that yield quick returns, financial search for avenues for investments that yield quick returns, financial capital has proved unusually mobile, seeking out new areas of investment in emerging markets. In spite of the risk such mobility involves, for recipients, this gives developing countries an unprecedented degree of access to international finance. Most developing countries liberalized their financial markets in the early 1990s to enable them to benefit from this situation. Governments of developing countries embarked on foreign loans acquisition that soon landed them in the debt burden with no corresponding economic progress for the loans.

The increasing concentration and monopolization of economic resources and power by transnational corporations and by global financial institutions or firms and funds is another important feature of globalization. This process has come to be known as transnationalization. It is a process through which fewer and fewer transnational corporations are gaining a large proportion of world economic resources, market shares and production on an increasing basis. In place of the situation where a multinational company

used to dominate the market of a single product, a big transnational company now produces corporations through mergers now control larger shares of the global market either in commodities, manufactures or services.

The "top 200 global corporations accounted for $3,046 billion of sales in 1982, equivalent to 24 per cent of World Gross Domestic Product (GDP) ($12,600 billion) that year. By 1992, their sales had reached $5,862 billion, and their equivalent value of world GDP ($21,900 billion) had risen to 26.8 per cent (Clairmont; 1996:39). Transnational corporations have proved to be potent instruments of capitalist accumulation and exploitation throughout the world. Their main aim and objective is to maximize their total international profit. In terms of the number of people they employ, transnational corporations are much smaller than countries, but in terms of geographical spread and financial resources, they are much larger. For instance, the total value of all goods and services produced by most countries combined, is less than the value of each of the largest transnational corporation's sales.

These transnational corporations are indeed the major beneficiaries of the globalization process which by and large have given them control over the economies of the developing countries. "There are 11 transnational corporations, having 85,000 foreign subsidiaries operating in very many countries. They are producing goods estimated at over 2,000,000,000,000 dollars accounting for over 40% of all world trade, 40% of all industrial production and over half of the foreign trade of poor countries" (Heineck; 2004:7). The role of transnational corporations in globalization "can best be understood against the background of their origin, their modus operandi and what they stand for. By their character, transnational corporations are the essence of the entire capitalist system and the dominant catalysts of imperialism" (Ibid:7).

Transnational corporation consists of a parent or holding company which is located in the corporation's home country, and a network of overseas subsidiary branches situated in numerous host countries all over the world. It is equally important to note that well over three quarters of finance meant for their operations overseas is generated inside the host countries and less than a quarter comes from the parent country. Capital flows out to the later both officially and unofficially and in various other legal and legal ways. The parent company "exacts a monopoly rent from its subsidiaries by charging them high licensing fees and royalties for the use of technology over which the parent company has monopoly control" (Ibid:9).

Taxes imposed by the host country are evaded by intra-company trade, as subsidiaries are forced to buy supplies and make sales to the parent at artificially manipulated prices. Profits are repatriated by means of transfer pricing or double accounting which is the under or over valuing of imports and exports according to local tax rates. In this process, transnational companies take out more capital than they bring into the host country.

3.0.5 THE EFFECTS AND CONSEQUENCES OF GLOBALIZATION

One fundamental reality of the globalization process is that in a globalised economy there is no place to run to when there is an economic crisis in any part of the globe because such a crisis would have had an instantaneous ripple effect on all other parts and sections of the global economy. Thus nations have resorted to panic measures in the fashion of a fire service brigade approach in their search for solutions to the recurrent world financial crisis that started in Wall street, U.S.A. and quickly snowballed to other parts of the world. Another good example of the consequences and effect of the current global economic order is the financial crisis that led to the collapse of East Asian economies.

Globalization of today differs from its earliest form which some scholars have defined as an integral part of movement of history (Kwanashie; 1994:17). The remarkable difference between the two can be located in its present form, character and narrow focus as an economic order, "and particularly its complexity and spread of communication rather than in the fact of the interconnectedness and uniformity of economic systems, technology and production of goods" (Mufwene; 2003:20). Globalisation refers to the increased interdependence of the world communities through various instruments. The process creates a matrix of interdependence.

Globalization is characterized by "free movement of capital around the globe; liberalization of capital from individual nations' control, escape of international capital from all forms of taxation, loss of local control, destruction of production for local or national consumption, monopoly control of knowledge etc" (Collen; 2001:74). Globalisation creates a new economic order. No matter what ideological colouration is associated with it, it has since become very clear that globalization is driven by a particular idea of how business should be done, a need to expand markets, a technology situated in a cultural environment, capital located in specific hands and a culture that is anything but global.

Consequent upon the character and form of globalization, iniquities are created, to the extent that some have described it as new form of slavery. Not everybody is included in mainstream globalization but everybody is affected. The globalization process "makes it possible for the integration of those who are thought to be valuable and switching off those who are devalued according to the dominant criteria" (Cassels; 2003:157). Under the current parameters poor countries or regions are threatened with structural irrelevance associated with technological obsolescence. Absence of technological infrastructure, nature and quality of human capital,

technological literacy, differences in time of entry into the global network are some causes of inequity.

There are concomitant "negative effects of globalization on culture and those of international trade agreements in cultural policies, as far as cultural goods and services are concerned" (Francis; 2007:24). From a linguistic perspective, globalization is significant in several ways. In one sense, it affects the socio-economic order of societies and tampers with pre existing distribution of language in this order. By so doing, it affects the vitality of local languages. Shifts in the language acquisition and usage patterns and the spread of English language to new domains can be traced to the diminishing vitality of local languages" (Ibid:8).

The increasing irrelevance of local languages as economic resources in the face of the globalisation process, partly account for their loss of vitality. It is now becoming clear that, "the fate of any language will no longer depend on sentiment but on the ability of such a language to give expression to the global vision and values of modern man. One area and context in which the inequalities in globalization has become very clear, is the marginalization of local languages even by the speakers and governments of countries where these languages are spoken" (Ibid:8). This is more pronounced in no place, other than at airports and air travels, where only certain languages, valued either because of a valuable capacity in them or because of global economic consideration are used in air travels and safety and in safety manuals in electrical and electronic machinery.

Perhaps one single most important and unique feature of the on-going globalization process is the globalization of national policies and policy making mechanism. National policies in economic, social, cultural and technological areas that hitherto were under the firm grip and jurisdiction of states and people within a country, have increasingly come under the

influence of international agencies and process or of big private corporations and economic/financial players. This has resulted to the erosion of national sovereignty and narrowed the ability of governments and people to make independent choices from options in economic, social and cultural policies.

In the words of Khor, "most developing countries have seen their independent policy-making capacity eroded and have to adopt policies made by other entities which may on balance be detrimental to the countries concerned" (Khor; opcit:5). On the other hand, the developed countries, where the major economic players reside, and which also are in control of the processes and policies of international economic agencies are better "able to maintain control over their own national policies as well as determine the policies and practices of international institutions and the global system. It is also true that the large corporations have taken over a large part of decision-making even in the developed countries at the expense of the power of the state or political and social leaders" (Ibid:5).

The usurpation of the policy-making capacity of developing countries is largely as a consequence of the liberalization of markets and advancements in technology. Closely related to this, is the free capital flow coupled with huge sums of money involved and uncontrolled power of major big players and speculators, which have made it difficult for countries to control the level of their currency and the flows of money in and out of such countries" (Ibid:5). Because they control such huge resources, transnational companies and financial institutions are thus in a position to exert influences on policy formulations of the developing countries. It is equally true that, developments in information technology make it difficult, if not impossible for developing countries to formulate policies independently. The establishment of satellite television and the availability of small receivers, in addition to the spread of the use of electronic mail and the internet, make it difficult for such

governments to put in place effective policies with regards to communications or to control information and cultural products.

Global institutions such as the International Monetary Fund (IMF), the World Bank and the World Trade Organisation (WTO) have become formulators of wide range of policies that were hitherto traditionally under the authority or jurisdiction of national governments. Governments now have to implement policies that are strictly within the ambits of the policy frameworks of the aforelisted global institutions. The World Bank, IMF and WTO in recent times have taken over most of the policy and operational influences of the United Nations. Developing countries in their quest and search for finance capital necessary for development, have been brought under the very firm control and dictates of the Bretton Woods Institutions. They have been made to swallow hook, line and sinker, the economic policies of World Bank, IMF and WTO, such as SAP, which encapsulates such social policies and structural issues as privatization, financial policy, corporate laws and governance.

The granting of loans to the developing countries has been predicated on conditions such as liberalization, privatization, deregulation and withdrawal of the state from economic and social activities or commitments. To this extent, loan conditionalities have been the major mechanisms for global dissemination of the macroeconomic policy packages that are favoured by governments of the North" (Ibid:6). Perhaps nobody has summed up the situation succinctly like Khor who argues: "Globalisation is a very uneven process, with unequal distribution of benefits and losses. This imbalance leads to polarization between the few countries and groups that gain and many countries and groups in society that lose out or are marginalised. Globalization, polarization, wealth concentration and marginalization are therefore linked through the same process" (Khor; 2000:9).

It is clear that socio-economic development in a majority of developing countries has been thoroughly negatived by the globalization process. The economic policies that have been forced on the developing countries have been rather injurious to them and have only succeeded in the intensification of poverty and the widening of the gap between the developed and the developing countries. One would be excused if one regards the scenario as that of a new era of colonialism, using the instrumentality of advance technology in all fields of human endeavour. Developing countries are weak to face the challenges of globalization. The contents of the process of globalization are being shaped in such a way as to benefit and serve the needs of the developed countries, while at the same time, harmful economic policies are being formulated for the developing countries to take on without questions. The powers of the United Nations where the poor nations have at least a voice is gradually being eroded especially and particularly in matters relating to economic issues of development.

The globalization process has unleashed the transnational corporations on the developing countries with their corrupting influences. As Heineck argues: “Bribery and corruption is the main means by which transnational corporations gain and maintain access to politicians, business people, senior public administrators and traditional rulers in the host country. In only three years, the ninety-five largest transnational corporations admitted in the US Senate that, they gave bribes amounting to one billion dollars in order to buy the support and loyalty of local elites in poor countries” (Heineck; opcit:8). It is very clear that the effects and consequence of globalization on the developing countries have been negatively devastating and there is no sign that these countries will ever make any positive economic breakthroughs in the face of the current process of globalization.

3.06 THE NIGERIAN EXTERNAL DEBT QUESTION

Like any other developing country experiencing insufficient and acute shortage of capital needed for socio-economic developing purposes, "Nigeria has since 1960 been borrowing to fill existing saving gaps in the country's economy. In the process, the country has been drawn into the circle of indebtedness" (Temi, in Saliu; 1999:314). (see also Appendix No. 2) Money lending and borrowing has become part and parcel of the world monetary system that is being operated mainly in the western countries and co-ordinated by the I.M.F and the World Bank. To this extent, "borrowing is recognized as one of the key strategies for acquiring external surplus capital to finance capital accumulation and apparent attempt to put the economy along the path of growth and hence development" (Dike, 1989:16).

This recognition of the need for lending and borrowing was given legal backing in 1960 when the promissory notes ordinance was enacted followed by the External Loan Act in 1962. This was followed by "the establishment of a banking Fund Act required that external loans be used for development programmes and for on-lending to regional governments" (Anyanwu, 1993:10). In an effort to widen the scope and end users of external loans, the 1962 External Loans Act was amended eventually in 1965. These Acts and their various subsequent amendments provided the main thrust, direction and guidelines with regards to the size, nature and end users of external loans that would assist the Nigerian government in its economic developmental efforts. However, it was only normal that, "the magnitude and timing of such external loans would along the line be made contingent on the exigencies of domestic resource situation as regards adequacy or otherwise of domestic savings plus domestic loans and executive or absorptive capacity" (Temi; Opcit:314).

Prior to 1978, Nigeria's borrowing status was of little or no significance and therefore of little concern in the country's public affairs and

by extension, external affairs. The debt position of the country then "ranged between N214.5 million to N496.9 million in the 1971 – 1977 period. The situation was to dramatically change when Nigeria obtained a jumbo Loan of $10 billion from the International Capital Market in 1978. This monetary interaction and or transactions with private source of capital changed the structure of Nigerian debt, which initially had comprised mainly of soft concessionary loans from the World Bank and other multilateral and bilateral channels. Most of the loans obtained form the International Capital Market as from 1978 were at harsher rates compared with the soft loans of the early and mid 1970s" (Philips, 1988:15).

As a logical derivative of the foregoing discussion, we can posit, that, the seed of Nigeria's current External debt problems was actually sowed in 1978 when the country ventured into Euro-dollar market to obtain commercial loans. Thus, it is clear that the debt profile indicated a significant shift from the traditional concessional bilateral and multilateral sources to capital market source. It is important and therefore of greater significance to this study to note that, "over 90 percent of the total external debt outstanding between 1971 and 1977, was on the average made up of official debt form bilateral and multilateral agencies which had however declined substantially since 1978. Between 1981 and 1987, 10 percent of Nigeria's outstanding external debt, was accounted for by official sources, while 85.7 percent was owed to private sources" (Ojo, 189:14). The implications of this "are very obvious harsher terms with respect to interest rates and amortization periods" (Saliu, Opcit:315).

Prior to the jumbo loans of 1978 and afterwards, Nigeria was only saddled with mainly "long-term loans from the World Bank and the Principal Western countries of Germany, Italy, Holland, Britain and U.S.A. The interest rates were as low as 2 percent with grace periods of three to ten years

and repayment periods of between ten to forty years. The burden of debt management during this period was therefore minimal. The debt service ratio was a mere 1.1 percent in 1960, 3.7 percent in 1965 and 3.5 percent in 1970, which was well below the critical 10 percent average. The economic burden, measured in terms of the ratio of debt service to the gross national product was also critical, fluctuating from 3.4 percent in 1960 to 12.5 percent in 1965 and 8.2 percent in 970" (Falegan, 1984:10). However, "by 1980s the debts owed the International Capital Market (I.C.M) had occupied a strategic significance. In 1982, ICM debts accounted for about 62 percent of the total debt, 50 percent in 1983, 35 percent in 1984 and 54 percent in 1985. Similarly, the underfinanced trade arrears also experienced an exponential growth. They jumped from 39.2 percent between 1982 and 1983 to 97 percent between 1983 and 1984. trade arrears as at 1986 accounted for about 20 percent of the total debt" (BCN, 198:20).

The growth rate of total debt outstanding was about 15.4 percent per annum between 1971 and 1977 while "between 1978 and 1988 it had assumed an astronomical value of 81.3 percent. This is over five times that of the period between 1971 to 1977" (Ojo, Opict:26). This unprecedented growth in Nigeria's outstanding debt was accompanied by dwindling foreign exchange earning "which fell from N6.064 billion in 1978 to N1.047 billion in 1981 only to rise to N11.214 billion in 1988. while the Nigerian debt keeps on increasing rapidly and structurally, her foreign exchange earnings have been unstable giving rise to a serious debt overhang that has compounded that overall economic crisis bedeviling the country" (CBN 1995:15).

In an attempt to realize their capital expenditure proposals, the Nigerian Federal and State governments "had recourse to increased borrowing on external and internal accounts. The total external public debt had by 1981 reached N12 billion while the internal debt of the Federal

Government was some N11 billion, having risen steadily from N4.64 billion in 1977" (Okongw; 1986:253). There debt burdens "introduced their own dimensions and complications of diminished public revenues and slum in export earnings" (Ibid:254).

In addition to the inflationary spiral, unemployment, collapse of industries etc, the economy was saddled with a heavy debt burden. Internal Public debts "rose from N4.6 billion n 1979 to N22.2 billion in 1983. The 1983 increase alone was N7.2 billion. At the external level, the heavy borrowing spree embarked upon by the politicians at both Federal and State levels began to take its toll from 1983 onwards when the repayment of principal and interest on the country's foreign debts rose to N1.3 billion, an increase of 72 percent when compared with payments in 1982. Nigeria's debt service ratio jumped from 8.9 percent in 1982 to 17.4 percent in 1983" (Olukoshi:7-8).

The dramatic increase in the external debts in developing countries has pushed the issue of external debts to the top of the agenda of International Monetary Economy. The debts of developing countries generally speaking had by 1983 increased manifold totaling about $810 billions. In trying to locate the origin and causes of the growing debt burden, a lot of explanations have been offered. The creditors and the Paris and London clubs have argued that the origin and causes of the debt problem can be traced to poor management in the debtor countries. It has been argued further that, "contracted loans were wasted by inefficient public enterprises while over-regulation did not provide the favourable environment for orderly economic growth if indebted countries" (Ojo, Opcit:20).

However, the debtor countries have countered the argument of the creditors that "the origin and causes of the debt over-hang have nothing to do with poor economic management but the crisis in the world interest rates,

decline in the prices of commodities and the collapse of the world trade since early 1980s. Quit a good number of scholars such as; Killick (1990 a and 1990b), Yagci etal (1985) and Kwanashie (1990) share this view as they have suggested the need for caution in linking the economic crisis in less developed countries to domestic factors. The contention is that "the interdependence among nations and particularly between the less developed and developed capitalist countries, suggests, that, there are at least two sets of factors i.e. the domestic and external factors" (Kwanashie, 1990, Uduebo, 1990).

From this perspective, the explanation for the escalating debt burden of developing countries or economies is two pronged, namely the dependent nature of the developing countries on external funding more than ever before and secondly, difficulties experienced by most countries in servicing external debt burden. These two factors offer a good explanation to Nigeria's external indebtedness. The dependency nature of Nigeria's economy as already discussed can be located against the backdrop of the country's colonial experience. The political economy then "was dominated by unequal exchange of manufactured goods from Europe on the one hand and the production of primary goods, which served as raw materials for the industries of these colonial overlords on the other. Thus, while Nigeria provided a ready market for finished European goods, the productive base of the economy was made completely dependent on the production of cash crops as raw materials for European industries while their prices were decided in favour of European countries. (Raheem; 1990:15).

After independence, efforts were made towards a strategy of self-reliance. This strategy however only changed the pattern and mode of dependency of the economy. For example, manufactured consumer goods could be produced after massive importation of raw materials, immediate products and capital equipment. The structure of production was to change

by the beginning of the 1970s, with the oil sub-sector assuming an increasingly important place in the economy. The oil economy had the effect of creating the much-needed foreign exchange for the country and this in effect led to mass importation of raw materials, capital goods. Finished consumer goods etc. So massive were these importations that by the end of the 1970s, Nigeria could not finance her imports. This situation made the acquisition of short-term loans an inevitability in the face of aggravated balance of payments deficits and empty reserves" (Ayagi, 1990:6).

It is been argued that, the headlong rush for transformation in the 1970s and 1980s after independence and the civil war, inevitably resulted in stretching the country's management of resources beyond the level at which they could maintain quality control in both the selection and execution of projects. The priority of government was clearly that of development, spending of all sorts much as the oil windfall would allow. Many projects that were embarked upon would have been laudable but their scales were not only too expensive but extravagant for the available resources. Some of these projects include; the reckless spending spree of the 1970s with the Universal Free Primary Education, Cement Armada, FESTAC, Sports Jamboree, etc, construction of new Federal Capital at Abuja; the creation of new states that resulted into further huge additional burden on the economy as every new one required a new bureaucracy, buildings, universities and even Radio and Television stations. Etc" (Ibid:8).

Other projects that helped in running the economy aground were: "the setting up of River Basin Development Authorities, Liquified Natural Gas, the Ajaokuta Integrated Steel Milling, the Petrochemical Industry, Standard gauge railway etc. These projects "completely a absorbed huge amount of money for their capital – intensive operations which have nothing to show for the huge amounts of money sunk into them. These projects necessitated the

resort to direct contraction of medium-term loans from the Euro-syndication market" (Ayagi, 1990; Anyanwu, 1993). The discovery of petroleum oil and the exploration of same in commercial quantities made it to replace other commodities as the country's largest foreign exchange earner. This gradually led to a situation of over dependence on the oil sector to the extent that the major feature of the Nigerian economy since the 1970s has been the overwhelming dominance of the petroleum sector. The oil boom succeeded in diverting government attention from other sectors of the economy. This dependence on the oil sector and the sector's displacement of other sectors is manifest in Government's investments in the sector and in the formulation of macro economic policies. For instance Nigeria's annual budget is based on the projections of the oil revenue and once this oil revenue is affected by the dictates of the World Oil Market, the whole estimates are made nonsense of.

Nigeria is now "enmeshed in foreign debts, which it cannot repay whatever it does. Even the servicing of interest is beyond the capital of it estimated resources. Nigeria has since started the process of rescheduling her external debts because of their monumental nature" (Ayagi, Ibid:21). Nigeria has been engulfed in a debt trap. This came about because Nigeria has succeeded in squandering the riches it accumulated during the oil boom period. The Nigerian borders were thrown widely open for foreign nationals to flood into the country and settle in as regular Nigerians to help in consuming away the accumulated resources. This, coupled with the high birth rate of Nigerians, increased the population growth rate of the country to unimaginable magnitudes. This was accompanied by the provision of numerous social amenities and infrastructures: schools, hospitals, radio and T.V stations, roads and bridges. These were constructed or set up and maintained with foreign or imported imputs" (Ibid:23).

Many of the structures need imported inputs to sustain them – medical equipment and medicines for hospital and textbooks and science equipment for schools and colleges. These structures cannot be maintained because of lack of foreign exchange and so their condition deteriorates further. As population increases and without proper maintenance, the condition of social amenities deteriorates and the general standard of living declines. With rising interest-servicing charges on foreign loans, "most of the country's export earnings go to foreign nationals and companies and virtually nothing is left to keep the existing capital intact. In the absence of adequate raw materials and spare parts, substantial proportions of industrial and manufacturing capacity go to waste and unemployment is created through retrenchment" (Ibid:23).

The symptoms or features of debt entrapment are glaring when "representative of the creditors settle in strategic locations within the country's institutions to monitor and ensure that no resources are diverted to anything other than servicing the external loans. This is the condition in which Nigeria currently finds herself. It has been caught in a very tightly roped debt. All the attempts made so far have failed to rescue the economy from its entrapment and indications are that the Nigerian economy will remain in these doldrums for a very long period of time, even if the correct policies are introduced and implemented immediately. A debt trapped economy is an enslaved economy and for any people or country such entrapment is worse than colonialism" (Ibid:23).

If a country borrows, she must pay interest on the outstanding debts. As the debt increases, interest payments required to service the debt also increase. The argument (Temi; 1999 Opict:314) is that "while it is important and crucial that external borrowing leads to an increase in productive capacity, there must be an increase or expansion of goods and services for domestic needs and more fundamentally, an expansion of exports of finance interest

and amortization payments inability to achieve this will make debt service reaching an unacceptable or unmanageable proportion".

Nigeria is today confronted with a debt over hang that has compounded the country's economic problems. While Nigeria has paid three times the actual amount of $10 billion, the debt sum of US $30 billion (US Dollars) still hangs against the country" (Obasanjo, 2004 interview). Obasanjo described the amount as "ridiculous, too burdensome, un-payable and unsustainable" (Ibid). To underscore his government's concern for the debt problem, Obasanjo asked for debt repudiation and offered to resign as the Nigerian President if that was what was required for the debts to be written off. The creditor-nations have been uncooperative regarding the quest for debt forgiveness or cancellation.

The most disturbing aspect of the debt situation is that "much of the so called debts are actually of dubious origins while actual in flows, in what is now the debt albatross, were far less than what was actually contracted, penalties or not. A large proportion of the funds also went into private accounts of dubious public officials with the active connivance of their foreign collaborators" (Daily Sun; 2004:6).

The debt burden has had a profound implication for the Nigerian economy. The "growing national debt against the background of a declining and or unstable exchange earnings has serious consequences for the recovery of the Nigerian economy, external debt outstanding represents past reliance on contractual foreign capital inflows" (Omoruyi;1994:6.) Being one of the countries that have been "classified as one of the heavily indebted Nations. Nigeria is engaged in concerted efforts for the resolution of the debts problem. Although many proposals have been espoused and measures adopted to address the debt issue, the volume of Nigeria's external debt remains staggering" (Uduebo, 1990:20).

3.07 INTERNATIONAL CREDITORS AND NIGERIA'S DEBT BURDEN

It has been established by development theories that, "borrowing allows a country to invest and consume beyond the limit of current (domestic) production and, again finance capital formation via (a) mobilization of domestic savings and (b) tapping savings from capital surplus economies. Borrowing largely leads to rapid growth as it affects the macro economic stability of the economy" (Dike, 1989, 1991), (Anyanwu, 1993), (Kein, 1994), (Chenery and Bruno, 1962), (Chenery, 1963), (Mackinon, 1964), (Fei and Paau, 1965). (Adelma, 1973), (Weiskpof, 1972) and Joshi, (1970).

Based on the above and other studies, which were hinged on the experiences of countries like Greece, Taiwan, Israel and the Philippines, the researches have established the possibilities of securing rapid and sustained development through the effective use of foreign borrowings. The centrality accorded capital within the growth perspective "makes it imperative for all economies to obtain a source of investment financing" (Kuznet, 1969), (Polasek, 1973). This is not a problem to the developed economies since the necessary financial structures are fairly available and developed. In the developing countries, "the internal sourcing of capita is somewhat constrained by the nature of their financial system. This clearly defines the two groups of countries. While one group is classified as surplus spending unit, the other falls into the category of the deficit spending unit. This makes the developed countries to be seen as the vector of assistance without which, the present growth rate of the developing economies would have been made difficult to attain and maintain and their future development seriously hampered" (Ibid).

In spite of the efficacy and important place of foreign capital in the economic development of nations, Nigeria did not accord any significant attention to external borrowing within the early years of her independence.

This was due to the relative stability of her economy. In spite of the civil war in the 1960s, which called for massive mobilization of resources, not much was borrowed externally of finance the war. Government instead preferred to look inwards and put in place rigid and or stringent fiscal and monetary policies in place to extract funds from the Nigerian people, and to regulate the import profile of the country" (Bangura, Opcit:94).

The Nigerian state in any case would have found it difficult to raise loans from the International Capital Market for the reason that private Banks were wary about advancing loans to third world countries in the 1960s. Be that as it may, the fact remains that, Nigeria's balance of payments were not as problematic as they later developed into. As already noted, Nigeria's debt profile between 1960 and 1978 was negligible and did not constitute any economic problem as such. In the 1960s, the principal donors (creditors) "were the World Bank (International Bank for Reconstruction and Development, IBRD) and International Development Agency (I.D.A), trying to provide the Institutional framework for the penetration of finance capital into the agricultural and infrastructural sectors of the third world economies and the western powers competing among themselves and against the U.S.S.R to maintain long-standing markets and investments and protect their political gains in those countries" (Economic Journal, 1970).

Long-term loans, which Nigeria enjoyed between 160s and 1970s were from the World Bank and principal western countries of Germany, Italy, Holland, Britain and the United States of American. The "debt profile at a glance is as follows:

1960 - N82.4 Million

1965 - N435.2 Million

1970 - N88.8 Million

The debt service ratio within the same period was also as follows:

1960 - 1.1 percent

1965 - 3.7 percent

1970 - 3.5 percent (Falegan, Opcit:10).

The widening of the scope of external borrowing, which gradually culminated into the current external debt burden on Nigeria, began in the later part of the 1970s (precisely by 1978). The country's productive sectors of the economy, that is basically agriculture and industry had experienced a remarkable deterioration in aggregate performance, social services and infrastructure were in shambles and shortage of essential commodities and inflation were escalating. We must understand that "there is a close relationship between the decline in economic performance, the foreign exchange crisis and the burden of debt" (Ibid:12).

The oil crisis of 1973 "was to plunge industrial establishments into further problems of increased production costs. The receipt of huge external reserves by the key oil states of the gulf, which had limited executive capacity and conservative political systems to carry out radical transformations of their economies led to the recycling of these untapped petro-dollar to the advantage of the advanced capitalist economies. The principal beneficiary was the International Capital Market as presented in the main by the Euro-dollar market. However, the general depression meant that these Banks would now have to be more aggressive in finding new borrowers particularly among the middle level, LDCs who were faced with problems or liquidity and crisis, which the Bank felt had the capacity to manage whatever debt accrued from private medium term loans" (Bangura, Opcit 96).

The countries considered to have the capacity to manage whatever debt that accrued to them from private medium term loans are Brazil, Mexico, Venezuela, Argentina, Nigeria, Zaire etc. According to Bangura (1987),

"there were two traps at work – the trap of the International Capital Market and that of suppliers' and trade credits created by the eagerness of transnational companies to sell their projects and finished goods to less developed countries (LDCs). It should be noted that the phenomenal increase in revenue raised the credit – worthiness of Nigeria and forced attention on it from the International Capital Market (I.C.M) and transnational corporations, eager to lay hands on the huge resources accruing to the public sector.

The Nigerian balance of payments position also deteriorated further in 1977 with an estimated N447 million deficit compared with N339 million in 1976; while external debt jumped from N374 million in 1976 to N496.9 million in 1977. The situation was to further deteriorate in 1978 as the country's crude oil price was raised by about 2 percent by the government in April, 1978 leading to a tumbling of oil exports by 16 percent. This further reduced the revenue of the state from N7 billion in 1977 to N5.9 billion in 1978" (CBN, 1977, 1978). With this scenario, it suddenly became clear that, the available foreign exchange would not be enough to meet the huge importation of goods, which was growing at an annual rate of 40 percent. This is significant to our study because it was at this stage that Nigeria entered the International Capital Market thereby becoming involved with more International creditors.

Prior to 1978, the foreign financiers and their local supporters had found it difficult to persuade "Nigerian principal policy makers to raise loans from the International Capital Market. The mountain of external reserves made this a non-issue. The only loans of about $80 million (U.S Dollars) sought were from the IBRD for general Economic reconstruction and agriculture. The problem of foreign exchange scarcity presented a fresh opportunity to the I.C.M. to cash in on Nigeria's oil fortune" (Mutallab, 1984:4).

When the current debt burden is situated within the context of the socio-economic, political and historical development of the Nigerian state, we will discover that it was the then General Olusegun Obasanjo as Nigeria's Military Head of State that led the country into the International Debt Trap by counteracting a Euro dollar loan of $1 billion to finance a number of public sector projects. This gave the London and Paris clubs a lea-way into the country at a time when these international creditors were desperately in need of venues to invest their money. With the collection of this unprecedented Jumbo Loan, the country's journey into the debt entanglement had begun, as the country's leaders regarded the external loans as the quickest and easiest sources of capital for the financing of their pet projects and personal appetites for foreign goods and services.

The debts and loans have provided a good excuse for the involvement, manipulation and control of the third world economies by the creditor nations who in any case constitute the former colonial masters of these Less Developed countries. When in 1985, the World Bank and International Monetary Fund (I.M.F.) presented the Baker plan for the third world nations in Seoul, countries like Brazil, Peru and a host of other developing countries 'criticized the way the World Bank was using its muscles to demand changes in national polices of third world countries. They demanded and end to the era in which a single country (the U.S.A) imposes the conditions for the existence of the rest and rejected a situation where a single country can be subjected to no control whatsoever while the third world is condemned to hunger and economic disequilibrium" (Fasipe, 1990:21).

The implications of external loans and debt of third world countries was brought home to participants at the Seoul meeting when in response to the criticisms and charge by Brazil and other countries, which share her fate, the governor of Ohio State (1971 – 1975) argued inter alia: "… other nations

are turning to the United States, asking for help. When we made resources of the U.S. people available to them, we have some right to determine how those resources will be used" (Harter, 1986:25). It therefore follows by logical extension of the reality of the situation that, the more you borrow, the more you are inviting creditors who have the right to determine how the money so borrowed is being used. This argument can be extended to partly explain the deep involvement of the World Bank, the I.M.F. and the World Bank organization (WTO) in the affairs of the third world countries.

The significance to debts on the third world countries is that, it has served as a convenience and excuse for the creditor nations to take full control of the debtor economies. They do this through disguised and sometimes unsuspecting programmes, policies and programmes, policies and plans, which are enforced only on developing countries. It is from this perspective that, the October, 1985 Baker plan (American plans) can best be understood.

At the World Bank and International Monetary Fund (I.M.F.) meeting is Seoul in October, 1985, James Baker, the then U.S. Treasury Secretary introduced a plan to increase the flow of loans to fifteen third world borrowers by U.S. $30 billion spread over three years. This initiative included and encapsulated the following:

"(i) An extra U.S $20 billion over three years form commercial Banks to the 15 biggest debtors.

(ii) A U.S. $ 2.7 billion from the I.M.F Trust Fund for countries with per capita income of less than U.S $550.

(iii) A U.S $3 billion a year rise in lending by World Bank and Inter-American Development Bank.

(iv) This money is to be supplemented by funds from the World Bank, the U.S. and other rich donors to produce a U.S. $5 billion to U.S. $6 billion pool.

(v) Debtor countries are to carry out economic adjustment to improve their credit rating" (Westlake, 1985:15).

Argentina was used as testing ground for the plan. The creditors club (Paris club) "were concerned essentially with government to government debt, much of which was trade credit. The plan was also made to support other countries such as: Mexico, Peru, Brazil, Bolivia, Colombia, Venezuela, Equador, Chile and Uruguay all in Latin America. Others are Ivory Coast, Morocco, Nigeria, Yugoslavia and Philippines" (Martin & Westlake, 1986:16). Like any I.M.F. and World Bank interest motivated plan, the Baker plan also failed "because of some problems arising from the disagreement both among the creditors and the debtor countries as to the implementation strategies and modalities of the plan" (Fadpe, Opcit:22).

When Nigeria and other debtor countries found themselves in situation that made it impossible to repay the debt they owed the International creditors (Banks and Export Guarantee Agencies), the debtors had "to re-schedule the repayment to give them a breathing chance. The foreign creditors were willing to re-schedule the repayment provided that the International Monetary Fund (I.M.F) agreed to supervise the necessary rescheduling and more importantly, re-structuring of the economy needed to create enough resources to repay the debts after the rescheduling exercise" (Ayagi, Opcit:8). It is important to note that, "this stage marked the imposition of the I.M.F. and the World Bank as instruments of the debt trap" (Ibid:8).

The strategic mandate of the World Bank and the International Monetary Fund (I.M.F) was to impose conditionalities that would convert these third world debt – ridden countries into permanent suppliers of

agricultural and other raw materials to the industrialized western countries and to force them to follow the free market, anti-socialist ideology of the west. The conditionalities, which have more or less become commandments.

"* Devaluation of the national currency;

- Heavy reduction in government expenditure;
- Privatization of government investment
- Removal of all restrictions to trade;
- Removal of oil subsidies and
- Re-structuring the economy to produce essentially agricultural exports" (Ibid:8).

It has become very clear that the question of debt and its examination provides a good model to the understanding of the fundamental objective for the deep involvement of the I.M.F and the World Bank in third word economies. As Ayagi agrees, "the strategy has worked. Most of the economies of the third world countries are in serious crises of unemployment, deprivation and poverty. The industrialized countries of the west have turned the tables and are now on the ascendancy. Their ascendancy on the African continent became total after Nigeria had succumbed to them. Nigeria had already approached the I.M.F. for some assistance and by early 1983, an application for a standby facility of U.S $2.5 billion had been formerly submitted to the International Monetary Fund (I.M.F) on behalf of Nigeria" (Ibid:8).

The debt burden on Nigeria has become an albatross making meaningful economic advancement or development practically unattainable and the repayment of the debts an impossibility (see Appendix 3) What to do with the mountain of debts has been one of the major concerns of the Obasanjo Administration since its inception in 1999. Government officials and the country's International creditors have been engaged in issues relating

to the debt management. President Obasnajo himself has embarked on a campaign for outright cancellation of Nigeria's debts because their repayment is not possible. However, there has been no positive response from the creditor nations.

Since the third world countries started accumulating loans in the early seventies, the situation has since worsened. In 1984, for instance Time Magazine summed up the situation when the Magazine observed: "never in history have so many nations owed so much with so little promise of repayment" (Time Magazine, 10-1-84:442). The I.M.F. is seen as, "performing the role of a messenger, watchdog, international alibi and gendarme for those who held financial power in the international system" (George, 1988:12). The I.M.F and World Bank are also regarded as, "mere debt collectors, safe-guarding the interest of international commercial Banks… I.M.F is the chosen instrument for imposing imperialist financial discipline upon poor countries under the façade of multilateralism and technical competence" (Jega in Daily Trust, 2:27-2001).

3.08 NIGERIA'S EXTERNAL DEBT MANAGEMENT.

Due to the huge external debts that have accumulated over the years, external debts management has become one of the major pre-occupations of government Nigeria. To underscore the importance of the debts issue a debt management office has since been established to handle all aspects relating to debt management, which involves among other things, verification and classification of debt, debt rescheduling, negotiations, repayment and loan contradicting.

Apart from the Federal Government's cumulative debts over-hang of $30 billion (N4 trillion), the 36 states have on their own accumulated a combined debt management office recently released the accumulated external debts of the 36 states with the following break down:-

TABLE I: Showing Breakdown of External debts of the 36 State

State	Amount
Abia	$608 million (N82 billion)
Adamawa	$258 million (N34.8 billion)
A/Ibom	$138 million (N18.6 billion)
Anambra	$120 million (N16.2 billion)
Bauchi	$88 million (N11.9 billion)
Bayelsa	$14 million (N19.4 billion)
Benue	$255 million (N34.4 billion)
Borno	$139 million (N18.8 billion)
C/River	$70 million (N9.4 billion)
Delta	$133 million (N17.8 billion)
Ebonyi	$165 million (N22.2 billion)
Edo	$293 million (N39.5 billion)
Ekiti	$163 million (N22 billion)

Enugu	$293 million (39.5 billion)
Gombe	$99 million (N13.3 billion)
Imo	$408 million (N55 billion)
Jigawa	$699 million (N9.3 billion)
Kaduna	$62 million (N8.3 billion)
Kano	$92 million (N12.4 billion)
Katsina	$60 million (8.1 billion)
Kebbi	$33 million (4.4 billion)
Kogi	$341 million (N46 billion)
Kwara	$333 million (N44.9 billion)
Lagos	$421 million (N56.8 billion)
Nasarawa	$94 million (N12.7 billion)
Niger	$442 million (N59.8 billion)
Ogun	$221 million (N29.8 billion)
Ondo	$119 million (N16 billion)
Osun	$366 million (N50 billion)
Oyo	$176 million (N23.7 billion)
Plateau	$504 million (N68 billion)
Rivers	$171 million (N23 billion)
Sokoto	$189 million (N25.5 billion)
Taraba	$142 million (N19 billion)
Yobe	$42 million (N5.6 billion)
Zamfara	$25 million (N3.4 billion)

Source: Debt Management Office, Abuja.

As a result of the change in the Debt Structure of Nigeria with its concomitant astronomical increase in the country's debt profit, debt management "has constituted a big problem and task for the Nigerian state and economy in recent years debt repayment as a proportion of export

earnings jumped from 5% in 1981 to 8.7 in 1982 to 19.9% in 1983 to 30.3% in 1984 and 48.1% in 1985. interest payment also experienced a dramatic increase from 5% in 1982 to 9.2% in 1983, 10.7 in 1984 and 21.1% in 1985. Within that period when Nigeria experienced a dramatic rise in her debts, the total amount of money committed to debt service has been phenomenal; N1.126 billion, N2.097 billion, N3.540 billion and N5.53 billion in 1982, 1983, 1984 and 1985" (C.B.N, 1986:16).

Debt management means "a conscious and carefully planned schedule of the acquisition and retirement of external loans contracted either for development purpose or to support balance of payments. This schedule includes an assessment of the country's capacity to serve existing debt and judgment as to the desirability or otherwise of contracting further loans" (Temi, Opcit:323). Debt management can also be referred to as "the condition of issues of administering the national debt, providing for the repayment of the principal, payment of interest and arranging the refinancing of the maturing debt" (Phillips, Opcit:15).

The debt management strategies that have been adopted are those within the framework of the global debt relief measures. This essentially encapsulates issues such as debt refinancing, rescheduling, restructuring and debt conversion under the aegis of the Structural Adjustment Programme (SAP).

Debt refinancing involves a new medium term loan in the amount of the debt that is owed which is now repaid with the proceed of the new loans. Debt rescheduling on the other hand, involves arrangement of the repayment terms on an original loan. It postpones the date of debt payment and spreads the debt over a number of years with an initial grace period. This arrangement gives the debtor a breathing space during which the temporary balance of payments problems could be eliminated (that is when a country

faces temporary foreign exchange constraints). One other advantage of this arrangement is that, it reduces debtor debt burden and gives room for proper adjustment to be undertake to reduce the basic balance of payments disequilibrium.

The refinancing /rescheduling method was first used in Nigeria in 1983. Precisely "in the months of July and September of 1983, refinancing agreements on confirmed letter of credit, amounting to $2.112.0 million were reached and these involved a repayment of six months at a interest rate of 1¼ about the London Inter-Bank offer rate (LIBOR) which fluctuates from 8% to 18%" (Ibid"324). Arrangement were also reached to refinance trade arrears arising from bills for collection, open account transaction and unconfirmed letters of credit by issuance of promissory notes of Six-year maturity with a grace period of 2½. Notes worth about $3.834.4 million were issued at an Interest rate of 1.0% of above LIBOR and redemption began in October, 1986 on quarterly basis. The inability of Nigeria to redeem the notes as when due led to refinancing of principal and capitalization of interest which amounted to $4.8 billion and which was rescheduled in 1988 over a repayment period at 2% a year including grace period of two years" (Ahova, 1993:8).

Since the country's first refinancing experience in 1983, Nigeria has been so much involved in debt-management-related activities. To this extent, the country has had series of other negotiations with the London Club. In 1987 for instance, the sum of $1.6 billion, which became due for repayment to the London Club for the period 1986 and 1987 was rescheduled for a repayment period of over ten years, (1986 – 1996) with grace period of four years. Letter of credit valued at $2.4 billion which were also due in 1986 and 1987 were similarly rescheduled for payment period between 1987 and 1990

with a grace period of one year and interest payment at rate of 1¼ above London Inter-Bank offer Rate

The very high debt service obligation, which the 1987 agreement imposed on Nigeria, made it impossible for the country to meet the commitments and consequently defaulted. Nigeria's failure to meet the 1987 commitments again led to another round of negotiations and agreement with the club. New agreements were resultantly signed on March 23rd, 1989. This agreement "continued a number of options designed to provide the country and Banks with a request for the entire debt to be restructured in a way that will achieve an effective debt service reduction" (Ibid:10).

The exercise of debt rescheduling refinancing under the Paris Club was government to government/official bilateral credits and export credit agencies in the exporting countries. Nigeria had signed series of rescheduling agreements with the club. A debt worth about $6.3 million (Principal and interest), which was due in 1986 and 1987, was rescheduled under the agencies of the Paris club. In 1988, $5.9 billion being claims of the London club was rescheduled. Under these agreements, debt service payments, which were due in a period of 15 months, were consolidated and rescheduled. The terms involved the capitalization of the interest due and the rescheduled debts are charged in market related rates.

In 1996, works or preparation for "a medium term economic programme (MTEP) aimed at restoring macro-economic stability was kick started. It was aimed at paving way for negotiations for debt with the Paris club creditors. Further actions were also equally taken by the Nigerian government to address major areas of policy differences between Nigeria and the I.M.F" (Temi, Opcit:325). It is important and therefore very significant for us to understand that, in instrument of debt refinancing/rescheduling is temporary. It is not a long term solution to the debt problem since it merely

postpones the repayment to a further date and even at a higher cost (interest rate may rise). The instrument of debt refinancing/rescheduling, for the benefit of doubt does not reduce the debt in any way.

The refinancing/rescheduling exercise constrains the adjustment process under the framework of Structural Adjustment Programme (SAP) because of the outflow as opposed to the inflow of capital. The creditors are only interested in and are out for the recovery of the debts and no new money is made available in the process for the development of the economy. The process of refinancing and rescheduling involve continuous negotiations because of inability of debtors to comply with repayment schedules.

Another aspect of the debt management process is debt conversion which is a complementary policy measure taken to reduce Nigeria's debt burden. Debts conversion or debt equity swap involves the exchange of a debtor's external for domestic debt in local currency or equity participation in a local development project. Nigeria established a Debt conversion committee (DCC) in February 1988. Between July, 1988 and June 1989 the total amount of debt redeemed was $160.7 million, which the discounted value was $88.6 million, indicating an average discount of 4.8%. The cumulative value external debt redeemed between 1992 and 1996 stood $448.5 million". (CBN,1996). However, this constituted only 1.6 percent of the total outstanding debt in 1996. The debt burden has continued to constrain capital formation prospects of the Nigerian economy, as adequate foreign exchange inflow cannot watch the conversion. The contemporary dimensions of the Nigerian debt question are frightening and continue to hinder any socio-economic development prospects.

The debts so far accumulated by the various states, starting from the second republic are so alarming that the federal government has decided that, "it would no longer give approval to any of the state for any such loan. They

will not borrow any more. As long as they need federal government warrantee, non has been given. All attempts by states to go out and borrow money have not been successful" (Arikawe, 2003 interview). Most of debts owed by the various states incurred between 1980 and 1984 during which as many as 2000 loans were secured by various state governments. In the words of Arikawe, "between 1980 and 1984, most state governments went mad borrowing from foreign creditors and worst still they did not do anything with most of the loans. The just concluded verification of states' foreign debts showed that if deduction for debts servicing are to be made from their allocations from the Federal Account … most of them would have nothing left to receive thereby putting them in greater financial stress" (Ibid).

Already, a debt management Act has been passed into law by the National Assembly. The Law makes it difficult for the state governors to take external loans, except with the approval of the National Assembly. It is when the loans receive the approval of the National Assembly that the Federal Government can guarantee them. The law was enacted essentially to forestall a repeat of the abuse of borrowing as witnessed during the second Republic, which had plunged most states into colossal debts. In her efforts to loosen the debt noose around her neck, the Federal Government through is debt management office has been engaged in talks and negotiations with her creditors.

At a recent bilateral debt negotiation with Finance, "the French Government as well as other creditor nations agreed that Nigeria should decide how payments made should be applied. Generally, what the creditors have been doing before now was to apply whatever you pay to the freight charges or penalties. Since we have arrears with them and the principal has guaranteed penalties, they use whatever we pay to wipe of penalties. So each time we pay, they reduce the penalties, they don't reduce the principal and

the interest. Before you make the next payment the principal and interest will have generated more penalties to wipe off what you have paid (Ibid).

CHAPTER FOUR

4.00 I.M.F. AND THE ECONOMIC RECOVERY PROGRAMMES IN NIGERIA.

4.01 INTRODUCTION:

There is overwhelming evidence for us to say that there exists interconnection between the Nigeria economic crisis and the I.M.F. intervention in the country's economic affairs. The I.M.F Economic recovery programmes n Nigeria can therefore be best understood when they are examined against the background of Nigeria's economic crisis, particularly within the period of the 1980s. We must also understand that "the I.M.F was established mainly and essentially to deal with the balance of payment problems in member states of the fund and to deal with general issues relating to global economic stability" (Adeniran, 1983:151).

Prior to the period that witnessed the onset of economic crisis, the Nigerian economy enjoyed almost ten years revenue boom that had never been witnessed before. The import of this is that, Nigeria neither bothered nor did she see any need to avail herself with the I.M.F. opportunities or facilities of economic stabilization, because, the country's economy was relatively stable. The story was however to change, following the beginning of economic crisis, which has however to change, following the beginning of economic crisis, which has since been deepening steadily, with "adverse far reaching consequences on the various sectors of the economy and the people's living standards. This is the most severe economy crisis to have been experienced by the Nigerian state since its creation at the beginning of the twentieth century as a specific Anglo – colonial project (Bangura, 1982:1).

The search for external solutions to Nigeria's economic crisis began in the period of the early eighties. The economic crisis whose existence was

initially denied, had to be admitted by the Shagari Administration. As a first measure taken to address the situation immediately, the Shagari Government promulgated in April, 1982, the economic stabilization (temporary provision) Act. The essence and objective of the Act was to "reduce government expenditure and curtail imports. To this extent, import duties were imposed where they were hitherto non-existent or increased where they were already in force. All unused import licenses were recalled for review, business travel allowances were reduced from N3,000 to N2,500 while compulsory advance deposits were required from importers of a variety of food items, industrial raw materials, capital goods and spare parts. These measures were later widened with the introduction of further import restriction, an increase in tariff charges on a number of consumer and non-consumer goods, the closure of private jetties and the restriction of external borrowing by the state governments among other steps (Onoh, 1983:6).

This crisis situation as we shall be analyzing in subsequent segments of this chapter from the basis and justification for I.M.F intervention with its economic recovery measures. Also examined in this chapter is privatization in both its conceptual and philosophical dimensions. This is intended to give us an understanding of the reasons or motive behind the current emphasis on the policy. We believe that once the meaning and in particular the philosophy of privatization are fully brought out, the reasons or motivating interest behind the privatization hysteria on both the part of the I.M.F and the Nigerian ruling elite would have been exposed. Similarly, another important area that is to be discussed in this chapter is the background information to the Nigerian privatization programme; under this subhead, the historical background of the Nigerian privatization programme is examined deeply and extensively.

This chapter also examines the objectives behind the privatization programme in Nigeria. Through the inductive and deductive process of the available data, we tend to expose the real motives or objectives behind the ones that are being sold to the public as justifications for the privatization exercise in Nigeria. The chapter rounds up with an analysis of the political and social dimensions of the Nigerian privatization programme as an economic recovery strategy.

4.02 STRUCTURAL ADJUSTMENT PROGRAMME IN NIGERIA.

It is the economic crisis that provides that immediate domestic context for the adoption of the Nigerian state of an orthodox programme of Structural Adjustment sponsored by the International Monetary Fund and the World Bank. Since its introduction n 1996, structural adjustment has become part and parcel of the dynamics of the country's economic crisis, exacerbating existing pre-adjustment programmes while creating new ones that are specific to its own internal contradictions" (Ade, 1990: 12).

Since the beginning of the economic crisis, each government in power has come up with its own measures or efforts to either solve the crisis once and for all or at least contain or prevent it from deepening. These governments, from Shagari (1980) to Obasanjo, (1999) have come up with economic crisis management policies. Shagari's immediate reaction to the crisis, which became manifest and server during his administration was the promulgation of the Economic Stabilization (temporary provision) Act as already mentioned in 6.0.1. The austerity measures introduced by Shagari, as encapsulated in the Economic Stabilization Act, could not address the structural deficiencies in the Nigerian economy. The measures have been roundly criticized for their failure. Due to this failure, "the rapid dwindling fortune of the world oil market, and the inability of the regime to apply its

crisis management policies rigorously and consistently, the country's economic problems continued to deepen and intensity in their severity" (Ibid:13). The continuing deterioration of the economy paved the way for the demise of civilian rule and the re-emergence of military dictatorship.

The regime of Muhmmadu Buhari, which replaced that of Shehu Shagari, also sought to enforce much more rigorously, the austerity measures, which it inherited from its predecessor, and to widen their scope. Consequently, a renewed push was made to reduce the import profile of the economy. All the imports placed on open license by the Shagari government, were placed under specific license by the Buhari regime. Foreign travel allowances were slashed further from N500 to N100 while business travel allowances were suspended. As part of cost and expenditure reduction measures, a major retrenchment exercise was carried out in the public sector, in which thousands of workers lost their jobs. An embargo was also placed on the recruitment of new employees in the civil service, while imposing a general wage freeze.

Public expenditure was further curtailed, new projects were frozen, state governments were completely prohibited from raising external loans, excise duties were extended from 68 commodities to cover a total of 400 items. The colours of the five, ten and twenty Naira notes were swapped to check the activities of the parallel market and to reduce the amount of money in circulation while Bank interest rates were raised among other steps. The regime also opened negotiations with various local manufacturing groups on the issue of domestic sourcing of raw materials. Some incentives were introduced to encourage manufacturers to look inwards for their inputs.

The Buhari regime's economic crisis management was premised on its believe that "fraud and indiscipline were central to the country's economic problems and that all steps would have to be taken to eliminate these ills

thereby freeing the economy from these ills that weighed it down" (Soleye; Interview). The measures taken by the Buhari regime were backed up by very harsh and repressive decrees. For instance, decree number 2, which made it possible for persons to be locked up for a long time without trial; there was also decree number 4, which curtailed press freedom and made it possible for journalists to be thrown in to jail for publishing anything about officers which portray such officers in bad light.

There were also draconian decrees which prevented workers from seeking redress for retrenchment, forbidding demonstrations and public processions, authorizing the indefinite detention of second republic politicians and ousting the jurisdiction of the judiciary in several matters of civil interest. It is significant to know that although the Buhari regime embarked on far reaching measures to deliver the economy from the woods, the regime could not carry Nigerians along as they had been alienated by the regime's harsh decrees. The Buhari regime was swept away in a palace coup by Babangida in August 1985. Following the severe balance of payments problems which the country faced in 1980s, the Shehu Shagari government "had approached the I.M.F. and commenced negotiations with the Fund for an external Fund facility (EFF) loan of up to U.S $2.5 billion, in 1982" (Olukoshi, 1991 1b:10). The Shagari government was unable to complete the negotiations with the I.M.F. before its overthrow by Buhari in December, 1983. The Buhari regime took off with the I.M.F where the Shagari government left. The Buhari regime "took a very strong nationalist position in its negotiations with the I.M.F for the fund facility. While agreeing with the fund on the need for fundamental reforms in the Nigerian economy, the Buhari regime was unwilng to accept the recommendations of the I.M.F for the devaluation of the naira, the cross-the- board privatization of public

enterprises, the liberalization of trade and the withdrawal of petroleum subsidy" (Olukoshi 1993:6).

The Buhari regime rejected the major conditionalities of the I.M.F arguing that the measures were not appropriate for tackling Nigeria's economic problems. The regime, like its predecessor placed emphasis on state regulations, insisting that to abandon the economy to the market forces as being recommended by the I.M.F would merely complicate matters. This disagreement led to a statement between the fund and the Buhari regime. This as a consequence led to the tightening of the boycott of Nigeria by western Banks and export credit guarantee agencies. The leading financial institutions "insisted that the government had to obtain clean bill of health from the I.M.F. before the country's U.S $20 billion debt could be rescheduled and fresh capital injection authorized. The I.M.F would issue such bill of health only if its adjustment recommendations were adopted whole sale" (Oluoshi, Opcit:8).

The Buhari regime's iron-handedness coupled with its stringent economic policies triggered further domestic opposition to the government. The Nigerian economy continued "to deteriorate, reinforcing the intolerance and authoritarianism of the regime and eventually paving the way for its overthrow in a palace coup staged by General Ibrahim Babangida, the chief of Army staff, on 27th August 1985" (Ibid:9). The Babangida coup marked the beginning of a new phase in the management of Nigeria's economic crisis and romance with the I.M.F.

It would seem as if one of the platforms upon which Babangida came to power was to break the deadlock that had developed in the negotiations between the preceding government and the I.M.F over the conditions, which the fund attached to the Nigerian application for an Extended Fund Facility (EFF) loan. This is because the issue of Nigeria's involvement with the

I.MF. was one of the policy issues that were given immediate and priority attention. In order to test the public pulse regarding to the I.M.F and its conditionality, the Babangida regime called a national debate on the I.M.F and the role, if any, which it should play in the management of the national economic crisis. This national debate was declared as part of wider confidence – building measures such as the abrogation of decree N04, which was promulgated in 1984 to limit the freedom of press and prevent criticism of public officials, the un-banning of Association such as the Nigerian Medical Association, (NMA) and the National Association of Resident Doctors (NARD) that had been proscribed by the Buhari regime, the declaration of the intention of government to respect human rights and the public disgrace of the National Security Organization (NSO) among other moves" (Olukoshi, Opcit:20).

To underscore the seriousness of the economic crisis and the importance of government attached to its resolution, the Babangida regime quickly followed the declaration of the national I.M.F debate with the promulgation of a state of national economic emergency to last for fifteen months commencing from October 1st 1985. Under the emergency, "a general pay cut for both civilian and military personnel was introduced ranging from 2 percent to 20 percent of their annual wages and income. This decision was bitterly and vehemently contested by workers unions, who criticized it as much for the failure of the government to see their opinion as for the future hardship, which is imposed on working people. This opposition by unions was only assuaged by government's promise to refund the deducted monies to junior workers at the end of the emergency period" (Ibid:22).

Majority of Nigerians took a stand against the I.M.F and thereby compelled the government to announce on December 12, 1985 that, it had, in

accordance with the wishes of the people, taken a decision to reject the I.M.F loan. One policy decision that exposed the Babangida regime as pro-I.M.F. in spite of the regime's pretensions is the decision of the regime to adopt all the conditionalities of the I.M.F. (SAP) without collecting the Extended Fund Facility (EFF) lona. A very clear majority of Nigerians rejected everything that had to do with the I.M.F. That is to say both the loan and the conditionalities were out rightly rejected in a nation-wide debate. However, because of the pro-western capitalist tenancies or orientation of the Babangida regime the government interpreted the outcome of the national debate to suit its interest.

The government claimed that "Nigerians while rejecting the I.M.F loan out rightly, had also simultaneously declared themselves willing to make whatever sacrifices and were willing to design an adjustment programme of their own, no less rigorous than the I.M.F's, but implemented by them at their own pace" (Ibid:18). This was a clear and or open door invitation to the I.MF. into the country, which was clearly at variance with the popular will of the Nigerian people. This brings home the import of Karl Marx's assertion that, "in all societies and at all historical epochs the dominant ideas are the ideas of the ruling class" (Marx, 1959:25). Form this perspective, we can safely argue that, the structural adjustment programme, which was introduced by the I.M.F and accepted by the Babangida regime, was intended to serve the interest of the capitalist west with their collaborators in government and business circles.

The 1986 National Budget was the very first indication that the I.M.F has arrived Nigeria. In that budget, a number of economic policy measures, which were clearly replicas of the I.M.F's standard prescriptions were outlined and implemented; for instance, the petroleum subsidy was reduced by 80 percent while the Nigerian National Supply Company (NNSC) was

disbanded. Non-statutory transfer to all economic and quasi-economic parastatals were reduced by 50%. The government also committed itself to the privatization/commercialization of public enterprises, the liberalization of trade and the exchange system and the reduction of administrative control in the economy on June 27, 1986, the government's commitment to market reforms as contained in the 186 budget was carried many steps forward when the government formally launched the Structural Adjustment Programme which bore clearly the imprints of the International Monetary Fund (I.M.F). At the core of the Adjustment Programme was a commitment by government to devalue the national currency – the naira. The naira devaluation goal "was achieved through the introduction of second-tier foreign exchange market (SFEM) where the naira was allowed to depreciate drastically. This depreciation continued even after the merger of the first and second-tier markets. Side by side with the devaluation of the naira, the government began to implement its programme of subsidy removal, including the petroleum subsidy, the privatization and commercialization of public enterprises. Trade liberalization first through an interim tariff structure and then through a revised, more comprehensive versions, expected to last several years; deregulation of prices and interest rate" (Fadahunsi;1993:33).

Other measures encapsulated in the I.M.F economic management framework were removal of administrative controls, particularly in the area of foreign exchange transactions, profit repatriation and foreign investment inflows; the reduction of public expenditure and the imposition of a credit liquidity squeeze. One immediate and major consequence of the adjustment policies, "was the abolition of the import licensing system that had been the basis for the allocation of foreign exchange in the 1970s and which was much abused during the second republic" (Ibid:35). Ibrahim Babangida and his regime played a very significant role in getting the Nigerian economy fully

entrenched in the global capital system. This is because the implementation of the I.M.F dictated policies which other regimes had resisted, fundamentally changed the structures of the Nigerian economy and made it completely dependent on the west.

With the commencement of the implementation of the afore enumerated policies, Nigeria financially joined the league of third world states that have been implementing the orthodox adjustment programme of the I.M.F and the World Bank. The process by which the Nigerian state adopted the Structural Adjustment Programme "was a long and tedious one which entailed the overthrow of two regimes, an attempted coup against General Babangida's government less than two months after it came to power and a national debate on the I.M.F. loan instead, the Babangida regime had to arrange for support from the World Bank" (Beckman 1990:15). This does not make any different, taking money from the World Bank is one and the same thing as accepting a loan from the I.M.F because the two organizations protect and pursue the same interest; they are like twins. In fact, membership of the I.M.F is a pre-condition for membership of the World Bank.

The adoption of structural Adjustment represented a significant turning point in the management of the Nigerian economic crisis entailing a commitment by the government to replace the post-colonial state led pattern of development with a market based one, albeit the Babangida administration had to contend on a constant basis with articulate and organized opposition to its policies with consequences for the implementation of the reforms.

Since 1986, when SAP implementation began in earnest in Nigeria, a lot of well informed individuals have raised questions such as: "can an economy adjust better under a system of state regulations or under the market? What has the attempt to push market reforms meant for various sectors of the economy such as agriculture, industry, the services and the

parastatals? What have the reforms meant for the various social forces whose activities give life to these sectors? (Ibid:20). The argument of Olukoshi (1991a), Beckman (1990), Essien (1988), Bangura (1989), Fadahunsi (1993), Usman (1986), Ayagi (1990), Khor (2000) in summary is that, "the adjustment programme has undermined the living standards of most Nigerians and posed more livelihood challenges for others in the context of a reform process in which there appears to be more losers than winners".

When we zero down our analysis to the application of SAP in Nigeria, with reference to the specific objective of the orthodox I.M.F. economic recovery programme, we discover that the programme was aimed at making the Nigerian economy market oriented by restructuring it along that line. This was to be achieved through the actualization of the following: "Restructuring and diversifying the production base of the Nigerian economy in order to reduce over dependent on the oil sector and on imports.

The programme was also aimed at achieving fiscal balance of payment viability over the period within which SAP would cover.

It was also expected that SAP would lay the basis or foundation for sustainable non-inflationary or minimal inflationary growth and,

Finally, the Structural Adjustment Programme was to lessen the dominance of unproductive investments in the public sector while at the same time, improving the sector's efficiency and intensify the growth potential of the private sector (Nelson, 1984: 20).

One of the major strategies for the actualization of these objectives in the privatization of the public enterprises. This strategy of privatization is our specific focus in this study and we begin by seeking to understand this privatization strategy from both its conceptual and philosophical dimensions in the next segment (i.e. 6.03).

4.03 PRIVATIZATION: CONCEPT AND PHILOSOPHY

This section seeks to locate the term 'privatization' within a conceptual framework. This is with a view to comprehensively understand its full meaning. This should give a basis for a proper comprehension of the Nigerian Privatization Programme, which apart from being the concern of the next chapter, is the main thrust of this Thesis. This chapter also examines the philosophical basis of the concept of Privatization. Our focus in this chapter anchors on our believe that for us to understand the current hysteria about Privatization especially in the developing economies, we need to bring out clearly, the philosophical basis or various theoretical perspectives of this major I.M.F policy and the objectives of the propagators of privatization and other related economic policies.

We also believe that the philosophy of privatization when properly understood, could serve as a reliable or dependable road map for a successful theoretical excursion that will lead us to a good appreciation of the role of the I.M.F in the Nigerian Privatization Programme being the focus of this study. Why for instance, has privatization become synonymous with globalization? This is one of the fundamental questions that we seek to address in this chapter.

- **CONCEPTUALIZATION:**

Privatization is a recent entry into the socio-economic and political lexicon. It is a concomitant of recent capitalist development, which places emphasis on private sector market-driven economy. However, many researchers, scholars, analysts and writers in general as we shall see shortly, have come up with various forms of definitions of the concept.

Privatization, "means to make private or to convert from public to private ownership. It denotes a transition from one form to another" (Odife,

1988:9). In operationalising the concept further, Odifie posits that, "even though the 'private' in 'privatization' refers to the private sector, it does not automatically connote private ownership in the sense of being owned by less than fifty percent as set out by the Companies Act. Private here refers purely to the sector of the economy and usually within the private sector, there are private companies and there are public companies" (Ibid:9).

Privatization has been conceptualized differently by different writers, scholars and or analysts. Writers such as" Ayodele (1994), Gala (1990); Hinds and Pohi (1991), Kikeri (1990), Kikeri etal (1992, 1994)" (Ijaiya; in Saliu, 1999: 113 – 115), are agreed on their conception of Privatization which they define as "one essential aspect of price and market reforms which entails unshackling private sector development through removal of government restrictions on private economic activity and divestiture of state assets particularly state owned enterprises (SOES) into private hands" (Ibid:144).

Privatization is best understood when it is seen as a process. It can therefore be conceptualized as the process of the transfer of public assets (property, companies etc) to the private sector mostly through the sales of shares of these public assets. Kikeri further defines the process of privatization as "the transfer of majority ownership of state owned enterprises to the private sector by the sales of on-going concerns or assets following liquidation" (Kikeri, 1990).

Paul in his own perspective, refers to privatization as "(i) the sale of all or some of the assets of the Public Enterprises or other public entities (ii) Leasing of such assets and (iii) the transfer of the management of Public services to the private sectors." (Paul, 1990:4). Privatization has been categorized into "Equal-access voucher privatization or mass privatization. This is a situation when government gives away or sells low-priced vouchers

that can then be used to purchase shares in companies thereby eliminating the problem at the core of the sales approach" (Ijaiya , Opcit:115).

Ijaiya goes further to assert that, "a well designed vouchers privatization can overcome many of the problems encountered with the various techniques, notably the perceived unfairness, the shortage of domestic capital and difficulty of placing a value on assets" (Ibid:115). This type of privatization, because of its nature of proceeding rapidly, is capable of "simultaneously stimulating the development of Market Institutions, create new owners and reorient the interest of the existing ones towards further reform. It can equally speedily cut the links between enterprises and the state that both inhibit restructuring and put fiscal pressures on the state" (Ibid:115).

Another type of privatization is "sale to investors and this is when the bulk of the state enterprises are sold directly to outside investors who have knowledge of the industry. This approach is mostly common in countries where the capital markets are undeveloped. Such sales are perceived to have their advantages. They would bring in revenue, they would result in real owners who had the knowledge and incentives to govern companies efficiently and the capital to restructure, and the conditions of the sales could theoretically be manipulated to take account of special needs" (Ibid:114).

There is also privatization through equity offerings on public exchanges. This method is best applied where the capacity of the stock exchanges is strong and tends to work only for the very best firms with good financial prospects and strong reputations. There is another category known as management – employee buyout, which refers to the sale or give away of all or part of the company to its managers and or employees. The important advantages of this category are its feasibility and political popularity. The second potential advantages is that in-side ownership can be both more equitable and more efficient because it aligns the incentives of owners and

workers. Managers and employees may be willing to work harder, monitor each other more carefully and push for greater productivity if they will reap the residual gains" (Ibid:116).

A more recent category of privatization is Initial Public Offerings (I.P.O. Plus). This places emphasis on the "combination of a case-by-case privatization with the equity of mass privatization. Advantages of the method are that it generates revenue, gives shareholders control over managers and provides access to capital and skills. The method also promotes efficiency by making privatization transparent, fostering capital market development and by creating independent financial Institutions that would press companies to improve on their financial performance" (Ibid:116).

Contracting out forms another category, which involves surrendering to market forces through the invitation of competitive bids from management companies to which the public sector would completely transfer the operation and management of the business while retaining the ownership of the business. The management contractor is given a specified period to retain local managers and make the enterprise efficient and or profitable. This method involves the total insulation of the business from local politics" (Ibid:116).

It is also important to bring out clearly the meaning of the concepts of private and public as they relate to the enterprises or companies. By Private Companies, we mean "companies that have been classified as private under the Companies Act. When a company is classified, it can conduct its affairs in more privacy than a public company can. The essential distinctions however are the shareholders (not less than two and not more than fifty) and the fact that directors have the right to restrict ownership to their friends." (Odife, Opcit:9).

On the other hand, a Public Company is so classified and called because that is how it has been categorized under the Companies Act. A public company "must have at least seven shareholders but there is no limitation on the maximum number. In addition, the right to transfer share is not restricted and any one can become a member, subject to being able to purchase shares from the company in a public sale. A public company conducts its affairs under the glare of public security; it publishes its accounts for all and sundry to see; and it holds its general meetings publicly allowing shareholders the chance to raise issues and ask questions" (Ibid:10-11).

Privatization has been regarded and identified as "one of the major ways through which a developing country such as Nigeria can hope to reduce her foreign debt. This method involves the transfer of government assets to private buyers by removing government entirely from any involvement in the activity" (Fasipe, 1990: 46).

In essence, privatization is "antithetical to Nationalization, a situation where there is the generally accepted view that, government should pay a prominent role in directing, owning and managing a large element of the company if the objectives of economic growth are to be achieved" (Buttler, 1986:16).

Privatization can also be seen as denationalization, which is the removal of government entirely from any involvement in the activity of any of the de-nationalization enterprises. On the other hand, privatization can be regarded as regulation, which involves allowing the private sectors to provide services now monopolized by the government. There is also contracting out as a form of privatization, a situation which involves the funding of the services by the government while private firms are invited to bid for the right to provide the services under control" (Fasipe, Opcit:xi).

One very good definition of privatization is the one that defines it as "the provision by private sector organizations, services hitherto provided by public sector organization. It goes beyond mere relinquishment of government interest in public enterprises (divestiture) also contracting out of services offered by public enterprises and provision of such services by private organizations" (Yaro, 1992: 11). Privatization could also be seen as a process by which the size of an efficient and effective public sector is reduced by transferring some of equally significant to understand that in all forms of privatization, the common features are increased private involvement in one or more of the following areas:

(i) Ownership

(ii) Management

(iii) Finance

(iv) Market

However, the degree of involvement varies from case to case depending on government objective?" (Ibid:17). As we have seen so far, relinquishing of public Enterprises may be classified broadly into four categories namely: (a) Divestiture (b) Contracting out (c) Joint Venture (d) Leasing.

DIVESTITURE:- This is the sale to the private sector of the whole or the major part of public equity and other interests in an enterprise. It may take different forms including:

- **PUBLIC FLOATING:-** Which refers to the Public offering of the shares based on prospectus in which the floated Company will be quoted on the Domestic Stock Exchange.
- **PRIVATE SALES:-** These are two types of private sales which include private placement and trade sales.

Private Placement with potential investors though not popular in Nigeria is cheaper than public floatation and less demanding. Trade Sales to other private sector companies involves direct sales of corporate entitles" (Ibid:18).

Private placement with potential investors is cheaper than public floating and less demanding albeit not popular in Nigeria. On the other side, Trade Sales to other private sector Companies involves direct sale of corporate entities. The process may entail a negotiated sale with a potential buyer or lender with a number of bidders. It is a cheaper process, less demanding although also not popular in Nigeria" (Wilson, 1986:10).

- **MANAGEMENT BUY OUT (MBO):-** This entails a process where the management and employees of an enterprise acquire the control of the assets of the business. In most cases, such businesses are highly leveraged and the assets of the acquired enterprises are used as collateral to borrow a large part of the purchases price.
- **CONTRACTING OUT:-** This method involves a flexible method of introducing private sector involvement to meet limited objectives. This method takes three main forms namely:-
  (i) CONTRACTING OUT OF PUBLIC SERVICES
  (ii) MANAGEMENT CONTROL AND
  (iii) BUILD-OWN OPERATE SCHEME

(i) **CONTACTING OUT OF PUBLIC SERVICES:**

This involves competitive tendering for and contracting out the provision of public services. It could be extended to as many types of public sector services as possible depending on government philosophy. For instance, a construction company where more use

could be made of the private sector to enhance efficiency than public sector.

(ii) **MANAGEMENT CONTROL:-** This method involves the introduction of private sector management into public enterprises. This provides a means of contracting out the management of some or all the activities of an enterprise for a fixed period of time. Although the contract is usually between the owners of the enterprises, the management control and authority is passed to the private sector. This is not new in the Nigerian context and it is more applicable n the hotel industry. For example the case of Arewa Hotels who are the managers of Federal Hotel, Durbar Hotel, Lagos, Daula Hotel in Kano, Zaranda Hotel in Bauchi, Hamdala Hotel in Kaduna, Arewa Suits in Abuja and a host of others" (Ibid:13).

(iii) **BUILD -OWN -OPERATE SCHEME (BOO):-**

"This refers to the method of transfer of designing, building, financing, operating and maintaining projects that normally should be under taken by the public sector to a contractor or operator in the private sector. Ownership may remain n the private sector through out the life of such projects or transferred to the public sector in future. All Build-Own-Operate Schemes are governed by long-term arrangements, committing the private sector operator to agreed performance targets and the public sector agreeing to buying the project's output or allowing user charges to be levied on customers" (Okwongwu, 1986:18).

Another of the methods of privatization is the Joint Ventures in which "two or more persons take stakes in a company or project in pre-determined

proportion. In other words, it involves the sale of public share to one or more other parties, to create an enterprise that could otherwise be wholly owned by the public. Leasing method on the other hand could either be finance or operating lease. A finance lease can form part of the arrangement for the divestiture of an enterprise while operating lease often form part of a management contract whereby a public sector asset or project is leased to private organizations for a fee" (Cook, 1987:20).

It is significant to understand that, "privatization which is often associated with the sale of state assets or shares in public enterprises, also involves the introduction of private capital or management expertise into public sector activity" (Jones, 1991:39).

Thus, the term privatization has often been "used in the both narrow and broad senses in the context of shift or transfer to public sector activity to the private sector. In a narrow sense, privatization entails the transfer through sale of public assets or enterprises to the private sector. The enterprises may be ongoing or liquidated concern. The sale may be 100 percent or less of the specified assets of the state or shares in designated public enterprise…. Privatization typically involves the transfer of ownership and control of public enterprises to the private sector". (Todaro, 1989: 569).

This may also explain why Kikeri defines privatization as "the transfer of the majority ownership of public Enterprises to the private sector" (Kikeri, Opcit:241 – 173). In the case of equity interest "privatization includes any transaction that results in government ceding ownership control by decreasing its equity stake from 50% or more to less than 50%" (White & Bhatia, 1998:29).

THE PHILOSOPHY OF PRIVATIZATION

The philosophical foundation of privatization is capitalism, otherwise euphemistically referred to as the market economy. Privatization programmes are designed specifically and specially in such a way as to concretely entrench the capitalist structures that are expected to be fully tuned to the dictates of that World Capitalist system. The privatization programmes being implemented in the developing countries are designed to ensure the globalization of the capitalist mode of wealth production and distribution.

The privatization exercise "is seen as a key policy instrument in the move towards a more market- oriented economy. The I.M.F and World Bank sponsored programme is being used for the creation of market economies globally" (World Bank, 1995: 143). Privatization comes as a package along with de-regulation, liberalization, commercialization, structural adjustment currency devaluation, divestiture, subsidy removal etc." (Dhanji & Milanovic, 1991:10). The main objectives of privatization include; "introducing a market economy, increasing economic efficiency; establishing democracy thus guaranteeing all ramifications of political freedom and increasing government revenue" (Ibid:12).

The argument for market economy stems from "a highly negative response of the failure of public enterprises in achieving their objectives of economic development. Failures such as halted growth, inability of public enterprises to provide sustained and or sustainable improvements in citizen's welfare. Shortages of consumers' goods are frequent and occasionally intense and standard of living (including environmental conditions) is considerably lower than in most developed countries. Introducing a market economy based on extensive systems of private property rights thus makes privatization a central pillar of the programme for creating market economies that enhance competition and efficiency" (Ijaiya, Opciti:117).

According to Obadan, "privatization has been rationalized and introduced as a solution to a state that had become too big in terms of its functions, too heavy in terms of its cost and very inefficient in terms of performance and all this at the expense of the private sector" (Obadan, 1990:5). A sizeable proportion of African countries and governments have come to recognize the need to transfer some economic activities performed by the state to the private sector especially in view of the very poor delivery of public goods and services by public enterprises. But then, the question of external pressure cannot be ignored" (Mukanda, 1998:30). It has been observed that, "without donor pressure and support, it is doubtful that privatization would have progressed as fast and as far as it has done in Africa. Donors have put pressures on governments to divest" (White & Batia, Opcit:29).

In pursuit of the capitalist economic philosophy globally, "many countries have had to pursue privatization in the context of structural adjustment programmes being promoted by the World Bank and the International Monetary Fund (I.M.F). For over fifteen years the two Bretton Woods Financial Institutions have promoted privatization as the key to economic reforms in the African Region. The World Bank in particular has moved beyond merely making privatization a pre condition for meeting divestiture targets" (Commonwealth, 1994: 27 – 31).

It is important for us to understand that the economies of the developing countries have been very dependent on the economics of the metropolitan capitalist countries and cannot presently stand on their own. They need the injection of Western surplus capital for their socio-economic development. The western controlled money Agencies such as the I.M.F.; World Bank, Paris and London clubs etc, are not charity organizations. Rather, they have been established for the specific purposes of promoting the economic interests of their home countries. One of the ways through which

these Agencies promote these metropolitan economies is by dictating to the dependent countries such economic policies that will further integrate them into the capitalist system for ease of exploitation in an unsuspecting manner. It is when we analyse the privatization programme against this background that their philosophical underpinning becomes more manifest and very glaring.

The real intentions of the World Bank and I.M.F. in enforcing these policies, which are encapsulated in the privatization programme, are wrapped in the declared popular objectives, which more often than not fail to yield any tangible results. As an economic policy, privatization is dressed as an instrument for realizing productive and allocative efficiency or higher economic growth. A part from the promotion of efficiency both economic and social, which is central to the policy, "privatization also has other objectives among which are: public finance, encouragement of competition and wider private sector participation in economic development and the development of local capital markets" (Obadan, Opcit:2).

Privatization is "extremely sensitive and divisive because it represents reform that necessitates a redistribution of income or wealth and usually a change in employment pattern. The major issues in the politics of proponents and opponents; the public's perception of the potential effects especially on employment, the fear of foreign domination, concern over worsening of income and wealth distribution, problems of pricing and exploitation of consumers and subjugation of social objectives" (Jones, Opcit; 39). The benefits of privatization are clearly the features of a capitalist or private sector/market- driven – economy namely:

- Privatization curbs the growth of government expenditure and raises cash to reduce public internal and external debts through equity divestment and disposal of loss – making enterprises;
- It promotes individual initiative while rewarding entrepreneurship;
- It is a way to broaden the base of ownership and participation in the economy thereby encouraging individuals to feel like they have a direct stake in the system. This is particularly likely where the sale of public sector assets can be made attractive to small investors;
- Through privatization, an enterprise can gain access to private sector financing and private owners may bring exposure to new markets;
- Privatization develops competitive real sector offering relatively better services and products;
- Privatization broadens and deepens the domestic capital market" (Nelli & Shirely, 1994:241-273).

The general objectives of the privatization programme as an economic policy are as enumerated under:-

- "Improving economic efficiencies (productive, allocative and efficiencies produced by the enterprises) against the background of poor economic performance of public Enterprises. Improved efficiency is to be reflected in lower product prices and improved product quality.
- Reducing fiscal deficits through increased tax revenues on enterprises' output, reduction in central government transfers to the enterprises sector and receipts from privatization sales;
- Reducing government interference in the economy and shifting of the balance between public and private sectors as well as developing the private sector and promoting market forces in the economy. "This is a more ideological and controversial objective as it rests on the idea that the role of the state should be diminished" (Cook & Kirk, Opcit:4).

Other general objectives include, the Broadening of the ownership of businesses through wider shares and assets ownership thus creating popular capitalism and fostering economic equity.

- Generating new investment including foreign investment;
- Developing the capital market and deepening the financial system;
- Enabling public enterprises to access market, capital and technology and expose them to market discipline;
- Reducing the administrative burden of government and

  Providing the opportunity to introduce competition" (Ibid:6). As already argued, "unstated reasons for privatization turn out to be more important in practice: these include the need to reward political loyalists and meet the conditions of External financial agents such as the I.M.F and World Bank in anticipation of financial and technical assistance from them" (Obadan, Opcit: 22). It is very clear that the profit motive is the main concern of privatization as an economic policy. Privatization is the bedrock of capitalism.

4.04 NIGERIAN PRIVATIZATION PROGRAMME: BACKGROUND, AIMS AND OBJECTIVES:

Since the direct intervention of the I.MF. and the World Bank in the economies of the less developed countries in the early 1980s, there has been a remarkable shift of emphasis away from state initiative as a developing strategy. Attention has instead been directed to market mechanism, private ownership while de-emphasising government involvement especially in issues relating to industrial investments. This shift of emphasis has been "generated primarily by a number of factors, namely, the perceived success of the newly industrialized countries (NICS) amidst a deepening economic crisis in those less developed countries which apparently placed greater

emphasis on the state initiative than the market strategy; the ascent to power of conservative regimes in the key western industrialized countries, a development which has encouraged the flourishing of right wing economic doctrines and ideologies and the deep and extensive macro-economic and social crisis facing the LDCs" (Yahaya, 1993:16).

As we have examined in the preceding chapters, these economic crises that pervade the LDCs and which have attracted the attention of the I.M.F, the World Bank and other western Institutions were caused and are still being caused and aggravated by mismanagement, inefficiency and wrong economic policies, pursued by most developing countries. The distortion of the third world economies had been due to the extensive regulation of trade policies and public ownership of enterprises. The correction of these directions "has been at the heart of conditionality clauses which are attached to loans for the LDCs from the I.M.F; World Bank, U.S agency for International Development (USAID) and bilateral donors in the industrialized countries. There was therefore, an extensive divestiture of state holdings and other forms of privatization in a large number of developing countries in the 1980s" (Ibid:17).

The very first major and concerted effort to re-examine the Nigerian economy vis-à-vis the role of the state in its management and with particular reference to the ownership of enterprises and parastatals took place in 1981. This was when a presidential commission on parastatals was established by President Shehu Shagari to study the matter. The commission "speedily completed its assignment and submitted its report in October, 1981. The report of the commission painted a gloomy picture of low returns, low and negative profits, lack of cost-effectiveness and insufficient attention to financial records by parastatals. The commission recommended an increased role for the private sector, especially in the non-sensitive or non-security related parastatals" (Presidential Commission, 1981:30). This report was soon to be overtaken by events as the economy declined very rapidly necessitating more fundamental approaches.

The privatization programme as a strategy for economic recovery, growth and development was encapsulated in the I.M.F. Structural Adjustment Programme, the implementation of which became inevitable in order to win the confidence of western and other creditor nations and to make possible for the injection of capital into the Nigerian ailing economy. The Structural Adjustment "was enunciated within a perspective that endorsed the free market as the framework for a major restructuring of the Nigerian economy" (Philips; 1987:15).

An economic programme as monumental and fundamental as the privatization programme requires some legal background and backing. Moreover, the public enterprises that are the targets of privatization and commercialization, have been constitutionally sanctioned as belonging to the Nigerian people as a collectivity. It therefore became imperative that a privatization law be promulgated to back up the government economic policy. In the budget of 1988, government issued a list of state owned enterprises (SOES) categorized according to whether they would be privatized or commercialized. This was followed up with the promulgation of "the privatization and commercialization decree No. 25 of 1988. This also categorized all state-owned enterprises and parastatals into four main groups, according to whether they were to be fully or partly privatized, or partly or fully commercialized" (Yahaya, Opcit:19).

Those enterprises slated for full privatization "included 13 insurance companies in which the Federal Government had between 25 percent and 49 percent shareholding, 10 medium to large scale manufacturing firms, 2 hotels, 4 companies in the transportation sub-sector and 15 agricultural and agro-allied firms. The total value of shares, which the government expected to sell in these firms, was estimated at about N150 million. Enterprises billed for partial privatization were made up of 27 commercial and merchant banks, 23 major manufacturing firms spanning cement production truck and car assembly plants, fertilizer factories, newsprint and paper mills, engineering

and electricity components plants. They also included three steel rolling mills, newspapers, oil companies, shipping and airline companies etc. the total value of government holdings in these companies was put over N2.1 billion" (F.G. Gazzette, 1988:22). At the end of 1989, the four commercial vehicle assembly plants in the country were added to the list of firms to be privatized.

About 10 major state owned enterprises (SOES) were to be fully commercialized and 14 others to be partly commercialized. A technical committee on privatization and commercialization (TCPC) was set up to over see and implement the exercise. It was further explained that enterprises, which were in a good financial position, should be sold or commercialized as appropriate. Those earmarked for privatization but which were not commercially attractive would be given financial injections in the form of debt cancellation or increased user charges parastatals with very low equity/debt ratios would be revived with the injection of more equity or the conversion of some of their loans to equity; those with inadequate accounts would have their accounts prepared for five consecutive years in order to enable proper share valuation; those that appeared unrealisable would be dismantled, and their assets sold" (Falae, 1988: 18). In selling shares inter-regional, inter-personal and inter-state distribution effects would be considered. According to the decree, associations and interest groups like state investment agencies, trade unions, universities, women-friendly and community based associations would all be encouraged to buy shares. This decree 25 of 1988 provided in a nutshell the legal framework for the privatization programme.

The TCP had by the end of 1989, completed arrangement for the sale of 16 firms, including the Nigerian Flour mills, petroleum firms and 13 insurance companies. The sales were organized through the Nigerian stock

exchange. As at 1994 (five years of the implementation of the privatization programme), 88 public enterprises had been privatized. The investment value of the privatized enterprises was N652 million, representing less than 2% of the value of known Federal Government investment as at November 30th, 1990.

AIMS AND OBJECTIVES:

The proponents of the market economy which underlies the privatization programme such as Zayyad have argued that, "the dilemma of growing contrast between public waste and private thrift has encouraged governments to seek solutions to the problems of public enterprises via privatization and commercialization…" (Zayyad, 1994:870). The programme of privatization was therefore developed with the main objective of addressing "the problems of monumental waste and efficiencies of the country's public enterprises" (Ibid:87). There have been arguments, which became very popular from the 1980s that the best and optimal strategy for economic development is to privatize by "selling off the errant government enterprises in order to secure their efficiency in new, private entrepreneurial hands. Private enterprise would be efficient in resuscitating the wasting or dead enterprises with the already provided capital infrastructure and other facilities…" (Okongwu, 1986:239).

The Babangida regime was determined to speedily transform the economy hence the speed with which the privatization exercise was handled. By 1994, that is "less than five years after the commencement of the privatization programme, 88 public enterprises had been privatized. The investment value of the privatized enterprises was N652 million, representing less than 2 percent of the value of known Federal Government investment as at 30th November, 1990" (Zayyad, Opcit:88). The privatization programme was

expected to turn around, Public utilities such as NEPA, NITEL, NPA, NRC, NNPC etc so that they could become more efficient as they occupy a pivotal position in the nation's search for sound economic development and self-sufficiency. Nigeria's inability to achieve its development goals had been partly explained by the monumental failure of these public utilities to efficiently and reliably provide those vital services on which the rest of the national economy depends. This made these public corporations the main targets to the privatization programme. It was also expected that apart from making the privatized corporations more efficient, money would also be saved for reinvestment in other vital sectors of the economy. Another objective was to bring the Nigerian economy into the main stream of the global capitalist system by integrating it fully into the system. That the global trend has been a move away from big to small because, "big is not efficient, and that in Nigeria, it breeds a culture of poor management and waste. Irrespective of the scale and scope of the organization and its objective, there is an alarming shortage of executive managerial capacity and competence…" (Zayyad, Opcit:89). With this, the Nigerian state also hoped to gain the confidence of the International Community (defined here to mean industrialized nations such as G – 8, E. U and NIDO).

Since Nigeria's independence, in 1960, no regime has been so preoccupied with western-type economic reforms like the Obasanjo regime. No sooner had he taken the mantle of leadership than Obasanjo inaugurated the National Council on Privatization on 29th July, 1999, having been sworn-in as President on 29th May, 1999. On that occasion, he argued that, there was a consensus amongst stake holders that one of the ways through which the national economy could be put on the path of sustainable growth and development was by the privatization and commercialization of state-owned

enterprises. He considered the inauguration of the National Council on privatization to be of great significance in several important respects.

The Obasanjo government considered privatization as "a critical step in the Administration's economic agenda; secondly it is a demonstration of the government's commitment to Institutional reforms. Thirdly, the response of sake holders in the months ahead would enable government to determine to a great measure and accuracy, the extent to which Nigeria has regained international faith and confidence in both the country in general and economy in particular" (Obasanjo, 1999:139). It is expected that privatization will overcome the problems of defective capital structure, excessive bureaucratic control or intervention, inappropriate technology, gross incompetence and mismanagement, blatant corruption and crippling complacency that characterized the public enterprises and which take heavy toll on the national economy…"(Ibidd:139).

It is also expected that, "a well designed and single minded pursuit of privatization programme will permit government to concentrate resources on their core functions and responsibilities, while enforcing the rules of the game" (Ibid: 140). This in turn will "enable the markets to work efficiently, with provision of adequate security and basic infrastructure as well as ensuring access to key services like education, health and environmental protection. The objective is to assist in restructuring the public sector in a manner that will affect a new synergy between a leaner and more efficient government and a revitalized, efficient and service-oriented private sector" (Ibid:140). Above all, privatization and other related economic policies are intended to uplift the living standards of the Nigerian people and the general economic development of the country as a whole.

The privatization programme aims at ensuring that many more service providers are brought to compete and regulate the market for fair pricing

removing or avoiding any further hardship and its possible effect on members of the Nigerian people. It will also get as many Nigerians as possible to participate in the programme thereby benefiting from its advantages and rewards. The programme will ensure that transparency is evolved in public affairs in the country. It is also intended to ensure economic democratization by way of making "conscious effort to achieve distributional equity, geo-politically as well as among socio-economic groups, through the medium of public offer to shares through the stock exchange. This with the main objective of involving as wide a spectrum of the population as possible in the ownership and control of the productive investment in the national economy" (Rafindadi. Ed), 1992: 1-2).

In a nutshell and by way of recapitulation, the Nigerian privatization programme has the following objectives:

"(i) To restructure and rationalize the public sector in order to lessen the dominance of unproductive investments in that sector;

(ii) To re-orientate the enterprises for privatization and commercialization towards a new horizon of performance improvement, viability and over all efficiency;

(iii) To ensure positive return on public sector investment in commercialized enterprises:

(iv) To check the present absolute dependence of commercially oriented parastatals on the government treasury for funding and to encourage their approach to the Nigerian capital market.

(v) To initiate the process of gradual cession to the private sector of such public enterprises that by the nature of their operations and other socio-economic factors are best performed by the private sector;

(vi) Creating a favourable investment climate for both local and foreign investors;

(vii) Reduction of the level of internal and external debt, via the use of debts conversion programme in the privatization of certain enterprises;

(viii) To provide institutional arrangements and operational guidelines that could ensure that the gains of privatization and commercialization are sustained in the future" (Rafindadi, Ibid:2 –24).

President Obasanjo was more philosophical at the inauguration of the National Council on privatization on July 20th, 1999 when he observed that, "privatization is also one of the reforms we have to undertake to integrate our economy into the mainstream of the world economic order. There are two interrelated aspects of this integration. In the first place, we need the technology; the managerial competence and the capital from the developed world to enhance the performance of our utilities" (Obasanjo, Opcit).

4.05 THE SOCIO-ECONOMIC AND POLITICAL DIMENSIONS OF THE PRIVATIZATION PROGRAMME IN NIGERIA

The socio-economic as well as the political nature of Nigeria and her people are bound to play an important role in the success or otherwise of the privatization and commercialization programme. The participation of Nigerians I the programme is also bound to be influenced by their socio-economic fortunes or status. We argue that "the principal problems which are bound to emerge in the economic transformation to be brought about by the privatization and commercialization programmes are: the crucial problem arising from an inherent change from economic management that must reflect socio-political balance to one that has to be guided by market place efficiency considerations. Secondly, there are implementation problems which could arise from short-comings of the implementation procedures – problems associated with implementation personnel as well as problems arising from imperfections in the socio-economic infrastructure available for the implementation exercise" (Ojo, 1992:152).

The Nigerian social setting which is more attuned to individual enterprise or at best family enterprises has considerable implication by way of constraints on relatively large scale enterprises which the privatization programme presupposes. Various factors among which, lack of trust in the partners make Nigerians to prefer going it alone in their business ventures. There is also the desire to perpetuate family names as another motivating factor. There is also the other aspect where Nigerians tend to ponder to societal expectations. This is a major sociological factor that has so far limited the participation of many Nigerians in the privatization programme. For instance, the building of a prestigious house in one's own village even though one is aware that it is not an economic proposition. Yet, it is well recognized that it confers quite a lot of social status. Similarly, participation in elaborate and expensive house warning, child-naming, marriage and funeral ceremonies is a common phenomenon in our societies" (Ibid: 153).

One other factor that constitutes a problem to the success and effective actualization of the privatization programme is the nature and size of an average Nigerian family which posses some strains and puts a burden on the breadwinners. This is complicated and worsened by the extended family. For this and similar factors, we are faced with a society that is rather difficult to mobilize to the path of privatization and commercialization. Coupled with this is the low economic status of a great majority of Nigerians where poverty is on the ascendancy. This a country where "civil servants on grade levels 15, 16 and 17 regard themselves as being average Nigerians or where some of them even are said to be riding their last cars. In such a situation, it may be difficult to get such individuals involved in any enterprise that would call for putting aside some amount of money" (Ibid: 153).

There cannot be any successful economic democratization through sales of shares in a society where majority of the people live under the

poverty line of less than one U.S dollar per day. It is not possible to mobilize such people for participation in the privatization and commercialization programme, which requires money for the purchase of shares. Given the nature of politics in developing capitalist formations, the questions of political patronage cannot be avoided in both allocation of shares and appointment of persons to the boards of the privatized or commercialized enterprises and institutions especially under party political regimes. Under such situation, as experience has shown, there is always no guarantee that round pegs will be put in round holes, this has far-reaching implications in form of consequences to the enterprise and institutions concerned.

The gap between the few rich and the poor majority is so wide that it is impossible to talk about equity in the scale of shares of the public enterprise.

Whereas a few have what it takes to acquire the shares of the public enterprises that are being privatized or commercialized, majority of the people can hardly afford any. This makes the government privatization and commercialization programme suspicious in the eyes of the people who see it as a ploy to allow or enable the rich few to buy off the peoples common wealth. There is also the issues of unemployment accessioned by governments divestment from the public enterprises. This another factor of the privatization programme. During our interaction and interviews with cross sections of the public in the major towns of Kaduna, Abuja, Kano and Lagos, we discovered that there is a general felling that privatization is tantamount to abdication of responsibility by government.

The reform policies associated with privatization are very harsh and have negative impact on the economic well being of majority of Nigerians. For instance removal of subsidy on petroleum products has pushed up prices

of not only the petroleum products but all other goods and services. There is therefore serious opposition to the privatization by majority of Nigerians. The government has had to contend with a pessimistic public whose support is vital for the success of any public policy. The involvement of people in the implementation of any public policy or programme requires that the aims of such a programme be realistic with beneficial potentials for the people. The "people may be at first enthused by over ambitious goals, but the resulting stress and failure to obtain the targets will frustrate and disillusion them" (Toyo, 1987:22). With the rising cost of living, decaying social or public infrastructures and declining employment prospects all occasioned by the privatization exercise and other reforms policies, the economic policies of the Bretton Woods are bound to lose a vital constituency (i.e. the people) whose support is necessary for the success of the policies/programmes.

The masses are only easily mobilized in support of a programme whose aims and objectives serve them directly. The questions, which proponents of privatization have found to be hard to crack, include how Nigerian workers can be mobilized to support the government economic reforms when everything is these reforms is against them. how can be mobilize peasant or small businessmen when they are expected to borrow funds to improve their productivity, yet, the rate of interest is so high at over 20 percent and the Bank refuse to lend because they have no security? How can the youth support the reforms when the reforms deny them education and employment opportunities? Or how can one mobilize women whose children are starving?" (Ibid:23). Tackling these problem areas especially by a democratic government is a Herculean task. N.P. the scenario created by the economic reforms is antithetical to what democracy stands for both in theory and practice. When we are faced with a situation when majority of the people do not support such a policy that is designed to turn the economy around, it

becomes difficult if not absolutely impossible for such a policy to succeed. A policy that is to bring about economic growth and development should be able to galvanize the people and evoke a creative response from the people. Such a programme needs to harness the people's creative energies. This is to be done by focusing new attention to technological education, new ways of involving the working people in planning and management, new incentives and a deepening of patriotic commitment. Any government programme or policy that does not carry people along alienates the people and any policy that alienates the people is bound to fail. The situation becomes more problematic when such programme is seen or perceived as serving an interest that is not in tandem with the hopes and aspirations of the people.

The privatization programme of the Nigerian state has the trappings of a programme that does not have the type of people oriented appeal. Majority of Nigerians do not believe that the privatization programme is capable of addressing their desires and aspirations. Government is seen by most Nigerians as "a group of people who desire to serve foreign economic interest and their pseudo-sentiments at the expense of the greater Nigeria. The government people do not accept contrary models of economic recovery of the ailing economy because they are one way thinkers, serving the interest of the international finance capital" (Mato, 2004:17).

The dimension of public perception of the privatization programme has far reaching political implication that constitutes a draw back to the successful implementation of the programme. A greater percentage of the people of Nigeria believe that the privatization programme and its concomitant economic reform policies will not succeed because it is not designed to genuinely address the Nigerian economic question. Nigerians believe that the model has failed all other countries that have tried it and Nigerian cannot be an exception.

Another problem area that has social and political implications is how to ensure equity, justice and fair play in the sale of public enterprises that are fundamentally and collectively owned by Nigerians? What modality and legal framework will the government adopt or evolve to allay the fears of the people that their assets are being cornered by foreign interests in collaboration with their local agents? How does government ensure that no individuals, groups and or sections feel short changed? How can there be fairness in the sale of public enterprises in a country where those who constitute the majority are poor and cannot afford the shares? These and many more are the problems confronting the implementation of the privatization programme in Nigeria.

The usual role or meddlesomeness of the I.M.F. in the economic affairs of developing countries such as Nigeria is shroud in secrecy. However the I.M.F. and world bank interference manifests through the posturing and or utterances of officers of the top echelon of he institutions leave no discerning persons in doubt as to what they are up to.

Apart from statements of I.M.F. officials which extol the viability on the funds economic policies in the resolution of the economic problems of Nigeria, they (the I.M.F. and World Bank officials) have taken residence in the country with their offices in the Federal Ministry of Finance, the Central Bank of Nigeria, Planning and Budget government agencies.

Since the implementation of the economic reform policies commenced in earnest seven years ago, it is only the I.M.F. that has continued to rate the economic performance of the Obasanjo government high. This is in spite of the fact that all known economic indices of development have been on the decline since the commencement of the economic reforms.

Nigerians are faced with low standard of living, unemployment, insecurity and poverty in general. Almost all the industries have collapsed while thousand of workers are being laid off on a daily basis.

The I.M.F. is dictating the pace and direction of Nigeria's privatization programme. It is the I.M.F. that decides which public enterprises are to be sold and to who. It is the I.M.F. that appoints the core investors and it is the I.M.F. that provides the funds with which the privatization exercise is being prosecuted.

The presence of the I.M.F. officials in the country is to ensure that its economic reform programmes especially the privatization programme are carried out strictly and to the letter.

CHAPTER FIVE

5.1 THE ROLE OF THE IMF IN NIGERIA'S PRIVATIZATION PROGRAMME:

One of the most prominent features of contemporary Nigerian economy is the deep and direct involvement of the International Monetary Fund (I.M.F.) and the World bank in the realm of economic policies of the country. This involvement of the I.M.F. can best be understood if we situate it within "the context of western imperialism which assumes albeit wrongly that if the world has to develop and progress, it has to adopt in its entirety, the western pattern of development which advocates liberalism and western mode of democracy as philosophy of life. To realize this objectives a consumers society will have to be created in other parts of the world with a view to advertising and marketing western products and prices to be decided by western powers" (Kani;1993:7).

To that extent, the I.M.F. remains "one of the most effective economic weapons that are being used by the western imperialist nations to subordinate other parts of the world (especially the third world) with a view to permanently under develop them and undermine their socio-economic, political and ideological sovereignty" (Ibid:9).

Due to the formidable nature of these external forces of control, developing countries such as Nigeria have taken the line of least resistance and have capitulated. The influences and controls of the I.M.F. and the World Bank on the Nigerian economy like any other third world economy, have graduated from the subtle or secretive methods to the more open, practical and more absolute. Most if not all the developing countries like Nigeria have their annual budgets and development plans approved by the I.M.F. and the World Bank before they are announced for implementation.

One important modern day manifestation of the I.M.F. involvement in the economic policies of Nigeria for instance is the appointment of the people with I.M.F. and World Bank experiences or the very staff of such Financial Institutions into very sensitive and strategic positions in the economy such as Finance Ministry, Central Bank, Planning and Budget. There is a crack economic team whose membership comprises of those individuals who were at one time or the other staff of either the I.M.F. or the World Bank. Nothing demonstrates the involvement of the I.M.F. in the implementation of the Nigerian privatization programme

more than the presence of the I.M.F. staff at those top echelons of policy-making of the country. Their brief is to ensure that the I.M.F. policies are implemented.

The role of the I.M.F. in the privatization programme in Nigeria can be traced back to the 1980s when a comprehensive Structural Adjustment Programme (SAP) was imposed on Nigeria through her then military leaders. Of all the planks of the Structural Adjustment policy of the I.M.F.; the most prominent and significant is the privatization of public enterprises which the I.M.F. does not give any concessions to or compromise on. A process where by all government/public owned enterprise are sold to private individuals and groups.

In imposing this programme on the Nigerian state, the I.M.F. has employed certain arguments or reasons as justification for the wholesale privatization of public enterprises not minding the consequences to the people of Nigeria. It can correctly be said, based on available data that the I.M.F. direct involvement in the Nigerian economic reform process began in 1986, precisely with the commencement of the implementation of the structural Adjustment programme. This was in spite of the rejection of the I.M.F. Loan by Nigerians in a nation-wide debate. It was the Babangida regime that first embarked on the I.M.F. privatization programme in earnest.

The I.M.F. conditionalities were implemented using World Bank funding. Although SAP was made to look like "a home-grown market strategy, the programme, both in concept and design was a World Bank and I.M.F. baby" (Alkali, 1994:135). The I.M.F. argued that SAP, which encapsulates such elements as privatization became a necessary response to "markedly deteriorated prospects that were foreseen for developing countries during the 1980s" (World Bank, 1982:59). According to the World Bank "the structural Adjustment programme was designed to provide maximum support to those governments that requested such support and that have recognized the need to formulate and introduce as a matter of urgency, a set of comprehensive measures such as privatization, designed to adjust the structure and situation of their economies" (Ibid:39).

It was further argued that, the main objectives of SAP were, namely, (a) to support a programme of specific policy changes and institutional reforms and (b) to act as catalyst for the inflow of external capital specifically in developing countries" (Alkali, Opcit:136). The structural Adjustment programme as we have argued, was not a home grown strategy at all. This has been supported by the World Bank in its report of 1993 which states that, "with the blessings of the I.M.F. but without any of its money, the Babangida government announced its

structured Adjustment programme (SAP) to the nation on 27th August, 1986" (Ishrat et al; 1994:25). With that also commenced privatization of public enterprises.

The Nigerian structural Adjustment programme right from its inception "was considered very comprehensive even by the World Bank Standards" (Alkali, Opcit: 138). The programme encapsulated four main elements, namely, the trade reform and exchange rates stabilization policies intended to revitalize the non-oil sector and the restoration of the balance of payment; (b) the curtailment of public sector expenditure through down-sizing the public sector; (c) the elimination of commodity marketing boards and the removal of price control mechanisms; and (d) the deregulation of the banking system, privatization or sell-off of government owned businesses" (Alkali, Ibid:138).

The funding of the Nigerian SAP and by extension the privatization programme was done with loans from the World Bank the first of which was disbursed in 1986 to the tune of $452 Million followed by another loan of $500 million in 1989. Similarly, the Bank also approved many other smaller loans for the funding of other sub-sectors of the Nigerian economy which had direct relevance to the over all SAP policy implementation. By this time a systematic I.M.F. – guided programme of privatization and commercialization had commenced in earnest; leaving most public – owned businesses either privatized or commercialized.

The Babangida Government soon ran into disagreements with the World Bank and the I.M.F. particularly in areas relating to the downsizing of Government expenditure, which had adverse effects or consequences on the lives of Nigerians. The elements or policy issues involved in the privatization of public enterprises could not be implemented without encountering opposition from members of the public who were being made to shoulder the burden arising from the changing status and fortunes of the public utilities. Nigerians saw the Privatization as Government's abdication of responsibility to its citizens.

Those areas that brought the I.M.F. and Government in open disagreement with Nigerians are: the insistence of the I.M.F. and World Bank that subsidies be removed completely on fertilizer, petrol and all forms of subsidies, on services being rendered by Government utility companies, and that prices of domestic petroleum fuels should be reviewed up wards so as to eliminate all forms of subsidies. The I.M.F. and World Bank also insisted that government must disengage completely from the running of pubic sector businesses. Wages and salary increases should also be frozen. Although the Babangida

Government "did implement some of these policy measures, the two Bretton Woods institutions were not pleased with either the timing or the extent of their implementation." (Alkali, Ibid: 139). The I.M.F. wanted and insisted on full blown privatization not withstanding the consequences on the people.

Government's attempts to meet the I.M.F induced conditionalities by raising the prices of refined petroleum oil from 70k per litre to N3.25 per litre in 1987 was accompanied with workers' strikes and urban violent protests. As a result of this, "minor adjustments of SAP had to be introduced in the 1988 Budget to blunt the sharp edges of SAP". (Alkali, Ibid:140). The riots prompted the Government (in the 1989 budget) to make some extra-budgetary concessions-raising the minimum wage, unfreezing wages in the civil services and removing the ban on civil service recruitment. This measures "were resisted by the I.M.F. and the World Bank. As a result of this, the second loan of N500 million due for 1988 could not be disbursed till late 1989" (Ibid:141). It is significant to note that the role of the I.M.F. in the privatization and other economic reform programmes during the Babangida regime was characterized by disagreements and opposition by Nigerians from its inception in 1986 to 1993 when Babangida was forced to step aside following the cancellation of that year's Presidential elections.

The Nigerian privatization programme which was being guided by the I.M.F. between 1986 and 1993 could not record any modest gains. The programme, according to I.M.F. was intended to expand the base for capital accumulation. There was no indication that this was achieved. For instance, "the value or privatization in Nigeria between 1988 and 1992, was less than one percent of that of Argentina, Malaysia, and Mexico" (World Bank, 1994:20).

Mismanagement of the economy on the part of the political elite in leadership positions has been at the centre of reasons that have necessitated the I.M.F. involvement in the economic recovery programmes of the Nigerian state. The I.M.F. has therefore insisted on the total restructuring of the Nigerian economy. However, it is rather ironic that the measures usually adopted to revive and or revamp the economy, have tended to aggravate the harsh economic conditions of majority of Nigerians who had no hand in bringing the economy into its current doldrums. It is this paradoxical situation that has prompted the argument of Suzan George that; "I.M.F's role might be more accurately described as that of messenger, watch dog, international alibi and genderme from those who do hold financial power... As watchdog and messenger, the I.M.F. helps to ensure that over exposed banks will be repaid, that even

major borrowers will be prevented from destabilizing the system as a whole. As alibi, it allows the major industrialized countries and their banks to offload the consequences of their own shortsighted policies and financial recklessness on to the fund's shoulders. The I.M.F. helps them to consolidate their power over poor nations. At the same time, and in exchange for cooperation, it generally allow the elite of these same nations to maintain their influence and perks at the expense of the majority of their fellow citizens" (George, 1988:47).

The role of the I.M.F. has demonstrated in unambiguous terms that, it is "a defender of sectional interests in the world economy … the economic problems of many countries in the third world are as much the result of the prodigality of their ruling groups as they are equally the result of the wastage of international financial institutions that continue to lend them easy money yet, I.M.F. takes positions which make the mass of the people of these countries to pay for every body's profligacy and misjudgment" (Owoeye,1993:100). For example, when the first austerity measures were adopted by Nigeria in the year 1977, "the pessimistic trend in world oil prices were already clear. Yet, international lenders, supported by the I.M.F. continued to lend the civilian regime massive amounts of money to finance dubious projects …" (George: Opcit p. 48). The I.M.F. feels the answer to mismanagement is privatization of inefficient public enterprises. The Nigerian experience has demonstrated in practical terms, the notion that the public perception and opinion of an organization such as the I.M.F. affects or determines people's reactions to the organization's intervention or role in their domestic affairs. Since 1980, the role or involvement of the I.M.F. in the economic recovery programmes of Nigeria has been on the ascendancy. In the 1960s, the intrusion of the fund in the economic affairs of Nigeria was very minimal if not at zero level. As a newly independent nation, Nigeria's foreign policy and diplomacy was oriented basically and essentially towards the united nations system. Nigeria was then only concerned with her bilateral relations with other countries. Moreover, the food and agriculture organization (FAO) was prominent and attracted the attention of Nigeria's domestic economic life and her International Economic affairs. The competition between the eastern and western blocs gave Nigeria and other third world countries at that time, an option as both the west and the east were keenly competing for their attention and friendship.

The full manifestation of the Nigeria economic problems or crisis came in the early 1980s which were compounded and aggravated by a slump in world crude oil price. Nigeria was therefore faced with a socio-economic problem of monumental proportion, which made it

possible for the I.M.F. to gain a reasonable foothold in Nigeria's domestic affairs. On April 18th, 1982, to be precise, the Nigerian Government decided to approach the I.M.F. for "a stand by facility of N2.5 billion. Prior to this, Obasanjo Government had introduced austerity measures to stem the economic slide. In April, 1982 the Shagari Administration introduced the economic stabilization Act" (Ayagi, 1990:82). It is significant to note that the I.M.F... sees and regards any invitation as an opportunity to introduce privatization.

Fiscal indiscipline on the part of the Shagari administration made nonsense of the economic stabilization programme and therefore rendered it ineffective and of no positive impact. By 1983, "the nation's external debt had reached U.S. $14. 13 billion, up from U.S. $2.84 billion in 1979" (Ayagi, Ibid:p82). When the Shagari administration went to the I.M.F. for a support loan facility, the fund reeled out several conditions (chiefly among which was privatization of public enterprises) to be fulfilled before the loan facility could be given. These conditions as usual included, "massive devaluation of the Naira (The Nigerian currency), removal of subsidy on petroleum products and fertilizer, reduction of budget deficit, privatization and trade liberalization" (Ayagi, Ibid:83). Since the intervention of I.M.F. in Nigeria, privatization has remained the core of its policies.

It is significant to know that, the Shagari Administration "felt reluctant to implement these I.M.F. conditions partly because they ran counter to the interest of the dominant comprador class and Petty bourgeoisie, and partly because of the fear that their implementation might lead to popular domestic discontent. Moreover, the character of the ruling political party, the National Party of Nigeria (NPN) did not support some of the radical measures advocated by the I.M.F. as they were considered injurious to the party's interest" (Ayagi, Ibid:55).

The Buhari regime adopted a nationalistic approach to its issues of governance and therefore decided to distance itself from the I.M.F. The regime refused the I.M.F. prompting for the country to take more foreign loans. At the centre of Buhari's refusal of the I.M.F. loan were the stringent conditions. These were the usual currency devaluation, trade liberalization, removal of all forms of government subsidy on petroleum products and fertilizer. Although Buhari out rightly rejected these conditions and also refused to collect the loan facility, "the regime however embarked on certain I.M.F. sponsored measures like the massive retrenchment of workers in the public service, reduction of salaries and incarceration of political activist and unionists" (Ayagi:Ibid:86). Instead of acquiring more loans, the Buhari

administration "attempted to repay the already existing foreign loans/debts and thus raised the debt servicing ratio to forty four percent. The attitude of Buhari's regime towards I.M.F. which included refusal to privatize, created problems in the relationship between Nigeria and the Fund. The constant struggle between the Buhari regime and I.M.F. only served to further undermine the relative autonomy of the latter. The Fund's credibility as representative of the unity of all economic interests in the world was further eroded. It has "indeed been suggested that the I.M.F. had a hand in the palace coup that outsted Buhari's regime on August 27th, 1985" (Bangura, 1987:103).

The Babangida regime on assumption of power called for a national debate on the I.M.F. loan as we have noted earlier. This "national debate itself shows the increasing importance and weight of the Fund in Nigeria's domestic politics and the significant linkage between International organizations and domestic politics generally. The Banabagida regime saw such a debate as a means of legitimizing itself" (Ayagi, Opcit). By the time Babangida came to power, the role of I.M.F. in Nigeria's economic recovery efforts had become well pronounced that both the nation's political leaders and the generality of the Nigerian people had become conscious of the machinations of the I.M.F. and were all afraid of the Fund's power. This informed the unfavourable position majority of Nigerians took with regards to the issues of the I.M.F standby loan facility.

The administration of General Abacha closed its doors against the I.M.F. and so the question of Privatization was simply not in the regime's reckoning. There was actually a lull in I.M.F. activities in the country between 1993 and 1998 when Abacha reigned. The regime of Abdulsalam although was receptive to the I.M.F. usual policy proposal of privatization, was too preoccupied with its transition programme within its short tenure to get itself involved in such far-reaching I.M.F. economic reforms as privatization.

The situation was to change as soon as Obasanjo was sworn-in as President of Nigeria. Analysts, Commentators and Scholars such as: Jega (2001), Alkali (2003), Saliu (2002), Kukah (2003), Onoja (2004), Toyo (2001) and Ibie (2000) are all agreed that since Nigeria's independence, no regime has been as committed to the implementation of I.M.F. reform policies (especially the privatization programme) as the Obasanjo administration. One of the very first major official engagements of President Obasanjo was the inauguration of the National Council on privatization and commercialization on July, 29th, 1999. (See appendix

No. 04). Since 29th May, 1999, the I.M.F. officials have taken residence in Nigeria, supervising the privatization programme and dictating the direction of the exercise through appointment of core investors who in connivance with some elite (cronies); are buying off the most profitable public enterprises at give away prices.

Above all, the entire economic reform policies of the Obasanjo Administration and or the government's main economic policy thrust is based on capitalist philosophy that anchors on market oriented and private sector- driven economy. The I.M.F. has employed certain arguments to justify the wholesale implementation of privatization in Nigeria. The I.M.F. argues that government is incompetent to manage the nation's economy.

The position of the I.M.F. is in line with and or inconsonance to "the resurgence of monetarism and the ideology of Laissez Faire in western industrialized countries. The new policy posture in these countries emphasizes the substitution of state control of the economy with increased private sector investments and greater operation of market forces" (Borcherding, 1982:127). The I.M.F. argues that its insistence on privatization is based on 'a fundamental reappraisal of the role and contribution of the public enterprises in the economic processes which showed that the private sector performs better than the public sector" (Humming and Mansoor, 1988:15).

The I.M.F. and her policy proponents are of the contention that "public enterprises in both developed and developing countries have performed below expectations upon which they were originally established. They therefore require some significant improvements in their operations which can best be achieved if government hands off or divests from these public enterprises" (Ffraser, 1988:20). However, from the way the exercise is being implemented in Nigeria, it does appear clearly that the programme is designed to serve external interest rather than the interests of Nigerians. We argue here therefore that the role of the I.M.F. in the privatization programme is self-serving.

While quite a good number of people such as Toyo (2001), Kwanashie (1994), Jega (2001), Esien (1990), Odife (1988), Owoeye (2000), Olukoshi (1993), Nwankwo (1986), Oyeide (1998) and Gana (1999) have presented a very forceful and cogent argument for commercialization as answer to the lack of performance of public enterprises in Nigeria, the I.M.F. has insisted that the solution lies only in the privatization of Nigeria's public enterprises even as the consequences are debilitating on the lives of the generality of Nigerians. The criteria for the sale of the public enterprises favour external/foreign interests.

This is because it is only foreign conglomerates that can afford the money for the transactions. They now use Nigerians as fronts to buy these companies at give away prices.

That the privatization programme was not designed with the Nigerian national interest at heart became manifest when president Obasanjo declared in his inaugural speech of the National Council on privatization that, "another group that will be involved will be the core group investors. These are experienced groups with the capabilities of adding values to an enterprise and making it operate efficiently in the face of international competition. They should also possess the capabilities of turning around the fortune of such unhealthy enterprises. The core groups must not only posses the technical know-how in, relation to the activities of the enterprises they wish to invest in but also posses the financial capacity to pay competitive prices for the enterprises and increase their capital base" (Obasanjo, 1999:139).

The logic in this argument is that it is the foreign companies that are being sold the Nigerian public enterprises because it is only them that posses the where-with-all as defined by the guidelines and conditions for the sale of the government companies. In addition to this, the ailing enterprises among them would have to be revived, made more viable before they are sold to the core investors! No rip off can be more than this. The I.M.F. has consistently insisted and to make sure that, the privatization exercise continues along the lines prescribed by the Fund no matter the repercussions on the overall interest of the Nigerian state and her people.

Nigerians are being made to believe that "many developing countries have overcome the problems associated with state-owned enterprises and monopolies through a well designed and single-minded pursuit of privatization programme" (Obasanjo: Ibid:140). This argument is purely that of the I.M.F. but which is being articulated and used by the Nigerian leaders as a basis for the sale of public enterprises. It is further argued that the rationale behind privatization is that "it permits governments to concentrate resources on their core functions and responsibilities while enforcing the rules of the game so that the markets can work efficiently with provision of adequate security and basic infrastructure as well as ensuring access to key services like education, health and environment protection" (Obasanjo, Ibid:142). We will not go into the argument of whether these objectives have been achieved here because it is one of the issues we have reserved for a thorough analysis in chapter six.

The I.M.F. also argues that privatization is necessary so as to properly integrate the Nigerian economy into the mainstream of world economic order. This, the Fund contends will

enable Nigeria to acquire technology, the managerial competence and the capital from the developed world to enhance the performance of Nigeria's public utilities. Since the developed countries are not charity organizations, we should know that this is another way or strategy of completely taking over the economy of the Nigerian state by the capitalist west using the International Monetary Fund (I.M.F.).

The role of the I.M.F. in Nigeria's Privatization is in line with the Fund's responsibility of finding/searching for avenues and creating conducive environment for the investment of surplus capital which has accumulated in the western/European capitalist countries over the years. It is the process of globalisation of finance/capital. This is why the privatization programme is designed in such a way that the foreign companies/interests are given an upper hand in the purchase of the public enterprises slated for privatization. The expert advice being relied upon is also foreign, emanating of course mainly from the Bretton Woods Institutions.

The current I.M.F. privatization using so called core investors is basically "a systematic process of mortgaging the key productive sectors of the economy to foreign multinationals whose long-term objectives can only be defined in terms of lucrative repatriation of much profits as they possibly can, without bringing in any fresh tangible investments and long-term commitment" (Jega, Opcit:5).

In spite of the worries and protests being expressed by Nigerians against the strategies and methodologies adopted in privatizing public enterprises, there has been no change in direction and focus in the exercise. For instance, "on Thursday, December 29th 2005, the Bureau for Public Enterprises (BPE) declared Orascom Telecom Holding (a multi national) as winner on the financial bid for the sale of government's share of 51% in NITEL Plc. The amount offered by Orascom is $256.33 million. This amount is ridiculous considering the fact that within the last thirty years, government had pumped as much as $7 billion (seven billion U. S. dollars) into NITEL." (Ibid:7).

It is apparent that both BPE and NCP have painted a bad picture of NITEL by emphasizing that its debt profile is prohibitive. It is the same impression that was given when the Nigeria Airways, the national carrier was liquidated and handed over to a British outfit called virgin Nigeria. What applies to the two public corporations applies to the rest of the public

enterprises. The whole privatization exercise, as supported by evidence as we unveil in the subsequent chapters is nothing more than a systematic process of re-colonization using the I.M.F., the worst type of colonization that will eventually render Nigerians highly impoverished and enslaved in their own country.

CHAPTER SIX

6.00 ANALYSIS OF PRIVATIZATION AS AN ECONOMIC RECOVERY PROGRAMME IN NIGERIA

6.01 INTRODUCTION

The relevance and or appropriateness of privatization of public enterprises as an economic recovery and development paradigm has dominated discussions and debates in academic, government, public and business circles in Nigeria for quite sometime now. The debate has been very illuminating, lively and continuous. This debate by its very nature can best be classified as the politics of privatization in Nigeria. These arguments which we discuss here are as varied as the ideological tendencies of the participants in the discourse.

There is a sharp divide in the debate, which puts those in favour of the I.M.F policy on one side and those against on the other. Each group feels strongly about their position and try to deduce reasons or facts and factors in support of this position. The arguments, which form part of the presentation in this chapter, are presented in summaries and sometimes direct statements of individuals and government officials who have been involved in selling the I.M.F. economic reform policies to the public. We have tried to avoid mentioning names of those concerned but credit or attribution where necessary will be given at the end of the chapter in the usual tradition of works of this nature for emphasis and or illustration.

The data that is analyzed is also obtained from a wide spectrum of literature such as journals, magazines, Newspapers, official publications of Bureau of Public Enterprises (BPE), National Council of Privatization and Commercialization, (NCPC), Technical committee on Privatization and Commercialization (TCPC) and other agencies charged with the responsibility of handling he privatization exercise. some of the data is derived from personal interviews with cross sections of the Nigerian populace and government officials.

As an economic policy that impinges on the sensibilities and sensitivities of the Nigerian people, privatization programme has to have a legal support base or backing. This is necessary to serve as justification for the wholesale implementation of the programme. It has therefore to be located within a legal framework. This chapter therefore also examines and brings out very clearly the legal frame works or law from which the exercise derives its legitimacy and justification.

What method was adopted as the approach to the Nigeria privatization exercise? This is one other question that is addressed in this chapter. Those who were charged with the responsibility of actualizing the programme had to work out convenient modalities, which they considered as necessary for effective and successful implementation of the policy. The modalities or methodology is examined from the perspectives of their fundamental objectives and how these objectives have been achieved. The question of how transparent these objectives and methods employed for their achievement have been, is also examined.

As encapsulated in the research topic that is being examined, there is a proposition or an assumption that he I.M.F. economic recovery programmes, which include privatization, are interest-driven. In this chapter, we bring out unambiguously, the interest-driven nature of these I.M.F. policies particularly and specifically the privatization programme. In the process, the contradictions inherent in the arguments in favour of privatization are exposed. These contradictions, we argue, are essentially responsible for the weaknesses of these I.M.F. Economic recovery polices and their failure to yield any tangible or positive results, where they have been applied in the developing countries.

6.02 THE LEGAL FRAMEWORK OF NIGERIAN PRIVATIZATION PROGRAMME.

The legal requirement for the Nigerian privatization programme rests on the fact that the public enterprises that were slated for privatization constitutionally belong to government and by extension the Nigerian people. They were also established by law. To this extent, a legal framework through enterprises and to render them free for privatization. (See Appendix No. 5).

In the light of the legal implications, there was no way the privatization exercise could have commenced without an enabling law. The privatization bill, it must be noted was one of the very first bills that were sent to the National Assembly by the Executive. This underlines the seriousness the government attaches to the privatization exercise the Obasanjo Government's believe in the efficacy of the I.M.F. economic policy as panacea to the country's economic problems.

It will be recalled also that when the Babangida Government was to introduce the privatization and commercialization programme in 1988 the regime started by promulgating decree No. 25 to give legal backing tot he exercise. In all, "Some 145 public enterprises, spread in all sectors of the national economy, (out of an estimated population of 600 public enterprises in Nigeria) were identified and listed in the privatization and commercialization decree No. 25 of 1988, for either partial or full privatization, or partial or full commercialization" (Zayyad, 1990:9).l

The decree clearly made a deliberate and conscious distinction between privatization and commercialization. According tot he decree, "privatization involves actual transfer of ownership of enterprises between government and the private sector, whilst commercialization is concerned with the reform of public enterprises to achieve higher efficiency and productivity without change of ownership" (Ibid:9). Also spelt out in the decree were the main

objectives of the Nigerian programme of privatization and commercialization which are as follows:-

"(a) To improve the efficiency and profitability of Nigerian public enterprises;

(b) to reduce the dependence of public enterprises on the treasury for the funding of their operations;

(c) To increase the participation of Nigerian citizens in economic activities through shares ownership of productive investments"

The law also includes: "the redefinition of the role of the supervision ministry to ensure that it no longer interferes in the day to day operations of the public enterprises under it. The redefinition of the role of the Boards of directors, giving them more powers to regulate and supervise public enterprises including determination of their conditions of service and tariffs. The redefinition of the management to make tem accountable for results. Changes in the procedure and criteria for the appointment and removal of members of Boards of directors to emphasize merit over patronage and to ensure continuity by staggering such appointment and removal of chief Executives and Executive Directors to ensure that such appointments are accountable to their Boards of directors and the introduction of Executive Director in all Boards to extent of 40% where desirable" (Ibid:13).

Thus, Nigeria "embarked on her first public enterprises privatization in 1988 with the Technical Committee on Privatization and Commercialization (TCPC) as managing agency; the exercise continued until 1993 when a new government changed focus" (El-Rufai, 2001:8).

The General Abdulsalami Abubakar regime, which succeeded General Abacha "inspite of its inadequate time, promulgated the operative public Enterprises (Privatization and Commercialization) Decree, 1999" (Duru, 2000:67).

As a democratic dispensation, the Obasanjo Government had to seek the repeal of the public Enterprises (privatization and Commercialization) Decree 1999 and replaced it with an Act that "would take care of the many deficiencies and inadequacies of the existing enactment. Legislation such as this will need to go through the necessary processes" (Ibid:71). The provisions of the Decree No. 28 of 1999 are ultarvires under the constitution having been promulgated through military fiat.

As we argued earlier, the decision to enact a privatization law depends on many factors. These include the adequacy or otherwise of the existing legal system, the political climate, nature and types of SOES to be privatized, constitutional requirements if any, legislation establishing the SOEs and other related laws which provide the necessary framework for privatizing the SOEs" (A Siedu Akrofi; 2000:86).

The decision to opt for privatization legislation as a means of privatizing public enterprises has some advantages. First, a privatization legislation "removes any uncertainties regarding the nature and quality of title tot he subject matter of the privatization and the authority of the executing authority to dispose of the property" (Ibid:86). Privatization laws also help to generate dialogue thereby absorbing "any ideological and or nationalistic ferment which sometimes characterizes the privatization process. Privatization laws similarly enable civil servants in charge of privatization to work under laws clearly defining the scope of their authority. Privatization laws create integrity and confidence in the process as well as establish clear organizational responsibility of the privatization Agency" (Ibid:86).

The law that gives legal backing tot he privatization programme is known as "The public Enterprises (privatization and commercialization) Act 1999" (BPE: Report, 2000 – 2001. 3). The Act provides the enabling legislation for the implementation of the privatization and commercialization programme. To ensure effective coordination and proper implementation of the

programme, the enabling Act also provides for the establishment of the following institutions/bodies.

NATIONAL COUNCIL ON PRIVATIZATION (NCP)

The NCP is by law. The apex body charged with the over all responsibility of formulating and approving policies on privatization and commercialization. The council consists of ten (10) members with the vice president as the chairman and the minister of finance as vice-chairman.

The main functions and powers of the NCP include: "To determine the political, economic and social objectives of privatization and commercialization of public enterprises.

- To approve policies on privatization and commercialization.
- To approve guidelines and criteria for valuation of public enterprises for privatization and choice of strategic investors;
- To approve public enterprises to be privatized or commercialized;
- To approve the legal and regulatory framework for the public enterprises to be privatized;
- To determine the mode of sale of shares of listed public enterprises and advise the Federal government accordingly;
- To approve the prices of shares or assets of the public enterprises to be offered for sales;
- To approve the appointment of privatization advisers and consultants and their remunerations;
- To appoint as and when necessary committee comprising persons from both the public and private sectors with requisite technical competence to advise on the privatization or commercialization of specific public sector enterprises;
- To approve the budget of the council.
- To approve budge of the bureau.

- To receive and consider for approval, audited accounts of the Bureau.
- To receive and review periodic reports from the Bureau on programme implementation and give appropriate direction" (Ibid:4).

The membership of NCP is classified into two categories, namely: statutory and co-opted membership. The thirteen members have voting rights and are listed in the enabling law. The cooped members are ministers overseeing relevant enterprises slated for privatizing and have voting rights. The statutory members of the NCP are:

"(i) The vice President - Chairman
(ii) The Minister for finance - Vice Chairman
(iii) The Attorney-General of the Federation and Minister of Justice - Member
(iv) The Minister of industries - Member
(v) The Minister of National Planning - Member
(vi) The Secretary tot he Government of the Federation - Member
(vii) Governor of the Central Bank of Nigeria - Member
(viii) The special adviser to the President on Economic Affairs - Member
(ix) Representative of the Banking Sector - Member
(x) Representative of the petroleum Sector - Member
(xi) Representative of the Industrial Sector - Member
(xii) Representative of Labour)President of the Nigeria Labour Congress (NLC) - Member
(xiii) The Director General of the Bureau of Public Enterprises - Member
(Ibid:4)

Under this legal framework, the primary goal of the Privatization and commercialization programme was also spelt out. It is "to make the private sector the leading engine of growth of the Nigerian economy. The philosophy behind privatization is therefore to restructure and rationalize the public

sector not only to lessen the dominance of unproductive investments in the sector but also to initiate the process of gradual cession tot he private sector of public enterprise's which are better operated by the private sector. It is also expected that the privatization programme will provide the channel for reintegrating Nigeria back into the global economy as a platform to attract foreign Direct investment in an open, fair and transparent manner" (NCP; 2000:8)

Since the enactment of this enabling law, all the privatization and commercialization activities are being conducted within its framework. Public Enterprises to be privatized are listed in the first schedule (see appendix No 7). The NCP was given the powers to add, alter, delete or amend the provisions of the first schedule to the privatization and commercialization Act.

This is to be done by an order published in Gazette. The public enterprises stated for commercialization are in the second schedule. The NCP is also given power by the Act to amend the second schedule by order published in the Gazette so as to alter the category to which any enterprise listed in the schedule shall be classified.

The law also enables the NCP to fix rates, prices and charges for goods and services provided by commercialized enterprises. The NCP has powers also to capitalize the assets of such enterprises, borrow money and issue debenture stocks and sue and be sued in its corporate name.

The law also established Bureau of Public Enterprises "as a body corporate with perpetual succession and a common seal and may sue and be sued in its corporate name" (Ibid:22). The Bureau's functions as relating to privatization are as follows:

"(a) Implement the council's policy on privatization

(b) Prepare public enterprises approved by the council for privatization.

(c) Advise the council on further public enterprises that may be privatize.

(d) Advise council on the capital restructuring needs of the public enterprises to be privatized.

(e) Carry out all activities required for the successful issue of shares and sale of assets of public enterprises to be privatized.

(f) Make recommendations to be council on the appointment of consultants, adviser, investment bankers, issuing houses, stock brokers, solicitor, trustees, accountants and other professionals required for the purposes of privatization;

(g) Advise council on the allotment pattern for the sale of the shares of the public enterprises set out for privatization.

(h) Oversee the actual sale of shares of the public enterprises to be privatized, by the issuing houses, in accordance with the guidelines approved from time to time by the council.

(i) Ensure the success of the privatization exercise taking into account, the need from balance and meaningful participation by Nigerians and foreigners in accordance with the relevant laws of Nigerians and

(j) Perform such functions with respect to privatization as the council may from time to time assign to it" (Ibid:23).

In respect of commercialization, the Bureau performs the following functions:

(a) Implement the council's policy on commercialization;

(b) Prepare public enterprises approved by the council for commercialization.

(c) Advise the council on further public enterprises that may be commercialized.

(d) Ensure the updating of the accounts of all commercialized enterprises to ensure financial discipline/accountability;

(e) Ensure the success of the commercialization exercise and monitor, on a continuous basis for such period as may be considered necessary, the operations of the public enterprises after commercialization;

(f) Review the objectives for which public enterprises were established in order to ensure that they adapt tot he changing needs of the economy;

(g) Ensure that public enterprises are managed in accordance with sound commercial principles and prudent financial practices;

(h) Interface with the public enterprises together with the supervising ministries in order to ensure effective monitoring and safeguarding of the public enterprises' managerial autonomy;

(i) Ensure that the Board and management of each of the commercialized enterprises and the government of the Federation, keep to the terms and conditions of the performance Agreements if any, between the public enterprises concerned and the Government of the Federation.

(j) Maintain and review on a continuous basis, any performance Agreement between public enterprises and the government of the Federation;

(k) Evaluate and recommend to the council whether or not a public enterprise is eligible for funding through grants, loans, subventions or equity; and ;

(l) Perform such functions with respect to commercialization as the council may, from time to time assign to it" (Ibid:24).

In addition to these functions, the Bureau provides secretariat support to the council. The Bureau shall, subject tot he overall supervision of the council, have power to:

"(a) Acquire, hold and manage movable and immovable property.

(b) Enter into contracts or partnerships, with any company, firm or person which or who in its opinion will facilitate the discharge of its functions under this act.

(c) Request for and obtain from any public enterprise statistical and other information including reports, memoranda and audited accounts and other information relevant to its functions under this Act; and

(d) Liaise with relevant bodies or institutions locally or overseas for effective performance of its functions under this law" (Ibid:25). This act also spelt out the modalities for the appointment of the director General of Bureau of public enterprises, which is the prerogative of the president. The appointment is for a period of four years, renewable for another period of four years.

The Act also established a public enterprises Arbitration panel. The Arbitration panel is responsible for effecting prompt settlement of any dispute arising between an enterprise and either the National council on privatization or the Bureau of public enterprises. Membership of the Arbitration panel is made up of five persons considered to be people of proven integrity. One of these members is the chairman of the panel. The panel is vested with the following powers; The panel arbitrates:

"(a) In any dispute raising questions as to the interpretation of any of the provisions of a performance agreement, or

(b) In any dispute on the performance or non-performance by any enterprise of its undertakings under a performance Agreement.

(c) A dispute on the performance or non performance by any of the parties to the performance Agreement shall in the case of a commercialized enterprise, lie to that panel providing that such reference may be made

after all reasonable efforts to resolve the dispute have been made and have not been proved.

(d) The ruling of the panel is binding on the parties and on appeal shall lie from a decision of the panel to any court of law or tribunal" (NCP Handbook, Opcit: 30-31).

With the enactment of Act No. 28 of 1999 all previous decrees or laws dealing with issues of privatization and commercialization stand repealed. The Act is sweeping in its powers and does not in any way exempt or remove any sector or enterprise from the privatization or commercialization exercise. More over, the National Council on privatization was given powers to amend any section of the Act to conform with Government desire to privatize any sectors or enterprise as the case may be. With the legal framework in place, privatization and commercialization as the main policy thrust of the Obasanjo economic reform Agenda became a fait accompli. This law also gave some level of legitimacy to the transfer of publicly owned enterprises to either private companies or individuals at prices to be determined by the government through its Agency, the National Council on Privatization (NCP), the powers to decide on the core investors to be involved in the transactions without creating avenues where majority o the people (Nigerians) who own these enterprises can make inputs. This law has tended to encourage secrecy in the transactions

6.03 METHODOLOGY FOR THE NIGERIAN PRIVATIZATION PROGRAMME

By way of recapitulation, we should know that "public offer of shares in the privatization arrangement relates to the divestment of government holdings in its enterprises. Most often, it is called offer of sale arrangement. However, offer

for subscription may be done in privatization arrangement where government decides to dilute its holdings by inviting investors to pick up new shares in the enterprise" (Ene, 2000:15).

For example, a typical share arrangement will start by government determining the quantity of shares it has to sell to the public. Since government holdings are regarded as assets belonging to all its citizens, such a determination to sell government shares is usually and normally backed by appropriate legislation which itself form part of the modalities or methodology. The next step will then be to determine the mode of sale. There are three possible modes of sales namely: Private placement; public floatation and sale through the secondary market. (See Appendix No. 6).

In private placement, "shares of company are offered to selected

private investors and not to the general public. Shares under this sales arrangement are not listed on the stock exchange.

Public floatation on the other hand is used where the quantity of shares is large while sale through the secondary market is used where the quantity shares is small. (Ibid:15).

The next step is the appointment of professional advisers. The professional advisers are responsible "for gathering, analyzing and reporting on the operations of the affected enterprises, in such away as to enlighten the prospective investors on the activities of the enterprise to be privatized and whose shares are being sold. The leader of such a team of professionals is the issuing house. Other members of the team are the Reporting Accountant, the solicitors to the issue, the stock brokers and the Asset valuers" (Bala 2003: interview).

The responsibilities of these advisers are as follows:-

1. **ISSUING HOUSE:-**

   Preparation of information, memorandum, prospectus, application to the securities and exchange commission (SEC) for the offer price and the stock exchange for listing. Sale of shares and receiving subscription funds; preparation of the basis of allotment.; Representing BPE and the company before SEC, coordination of all parties meeting culminating in the copulation Board meeting.

An important "aspect of the prospectus is the timetable for the offer. It details the various stages of the offer from the opening of the application list to the issuance of certificates to new share holders." (Bala, opcit).

The reporting accountants are responsible for providing accounting data and calculation for forecasts of the company's future profits. The solicitor to the issue is expected to primarily advise on compliance with the law at every stage of the exercise. This done through the following ways:-

* Examine the company's Memorandum and Articles of Association to ensure that those provisions which are considered unnecessary in a public limited liability company are deleted; preparation of management Agreements. Sale and purchase Agreements, shareholders agreements etc; following up verifications with the land registry on the title deeds held by the company.

The principal role of the stockbroker on the other hand is to introduce the securities on the trading floor of the stock exchange. Technically shares of a publicly quoted company can only be traded on the floor of the stock exchange.

Asset valuers undertake the professional valuation of the assets of the affected enterprises to provide a guide on the current value of the company.

MARKETING OF SHARES: In order to ensure effective coverage of the country, "application forms are printed in sufficient quantities and distributed to the branch network of the banking system, stockbrokers, local government offices, state investment companies, post officer, chambers of commerce and industry etc. The distribution of application forms to receiving agents is programmed to commence a week before the opening of application list to prevent late arrival of forms. An abridged prospectus outlining the main features of the offer is usually published in National newspapers.

In order to ensure widespread ownership of shares among different classes in the society, the minimum application for general allotment of shares is usually 100 shares of N50 each shares of privatized enterprises are allotted to the Nigerian public based on the equality of all the 774 Federal Constituencies" (Ibid). the amount charged for the shares is such as to ensure that low income earners and even students will be able to participate in the privatization exercise.

APPLICATION PRICES:- The application prices are determined by the National council on privatization on the recommendations of the BPE. In line with the privatization Act, shares are made available for participation by all interested investors subject strict conformity with the underlisted guidelines: -

"(a) Multiple Applications will be rejected.

(b) Share of privatized enterprises are to be allotted equally between Federal Constituencies. Only residents of the constituencies are expected to buy such shares.

(c) Fictitious names used in applications will be rejected.

(d) Only Nigerian citizens aged 18 and above are eligible." (NCP handbook, Opcit:59-60)

FUNDING OF SHARE PURCHASE:

Government has provided the enabling environment to facilitate access to capital credit for purchase of shares by the general public. Employers of labour in both public and private sectors have been directed by Government to extend financial assistance to their employees to enable them to purchase shares in privatized enterprises. Commercial Banks are also enjoined to extend credit to adjudged customers against the security of share certificates to be issued. It is expected that by so doing, even those who do not have savings will be able to participate in the programme" (El-Rufai, interview, 2002). In addition to this, deliberate efforts have been put in place to ensure that people especially at the grass roots are mobilized and sensitized for effective participation in the programme.

In order to build a better Nigerian society for the optimization of the people's economic resources, a minimum of not less than 1% equity of total shares on offer shall be reserved for the staff of any privatized enterprises. Similarly, Government ensure wide geographical spread of ownership. There is also the limitation on individual share holding. No individual is allowed to acquire more than 1% equity in any enterprise whose shares are offered for

sale under this programme". (Ibid). The shares on offer to Nigerian are sold on the basis of the equality of federal constituencies and the residents of the Federal Capital Territory, Abuja.

* **STRATEGIC INVESTORS/CORE GROUPS:-**

According to BPE, "Core Investors or strategic investors can be described as formidable and experienced groups with the capabilities for adding values to an enterprise and making it operate profitably in the face of international competition. They should possess the capabilities of turning around the fortune of such an enterprise, if by the tie of their investment, the enterprise is unhealthy" (NCP, 2001:61)

The major characteristics that distinguish strategic/core group investors are:

(a) They must possess the technical know how in relation to the activities of the enterprises they wish to invest in. for example, a core investor into a cement company must possess the know-how and have access to cement production expertise with regard to optimal use of the machinery, maintenance of such machinery and other technical aspects of cement production such as procurement of raw materials, etc.

(b) The core investors must posses the financial muscles, not only to pay competitive prices for the enterprise they wish to buy into but also to turn around its fortune, using their won resources without relying on the government for funds. Each core/strategic investor is expected to prepare a short/medium/long term plan for the development of the enterprise and indicate how it will be financed.

(c) The core investor must have the management know how to run a business environment.

It is the position of Government that "give the magnitude of

investment level in the utilities earmarked for privatization, the lack of absorptive capacity of the Nigerian capital market, our low technological level among other reasons, it is quite obvious that there is need to utilize the services of core investors.

The selection of core investors is done in an open international competitive bidding process designed to ensure that only the most qualified bidder is chose. The selection process starts with the invitation (through advertisement in the local and international journals and magazines) of interested core investors to submit expressions of interest (EOIs). This is sequentially followed by other stages in the process including evaluation of EOIs received, issuance of bidding documents and information memoranda to qualified bidders, due diligence to all bidders, return of bids, public opening of bids, negotiation with bidders, review of final submissions of the bidders' recommendations, final approval, announcement of winning bid and payment by the winner (see generic flowchart as appendixes No. 8, 9 and 10) all proceeds from complete sales "are expected to be paid into the consolidated revenue fund while the Federal Government is to decide on the use of the funds. This will include the use of the funds for productive investment and for the improvement of education, agriculture health and settlement of Nigeria External debts". (NCP Handbook, 2001:63).

6.04 THE INTEREST DRIVEN NATURE OF THE I.M.F. ECONOMIC RECOVERY PROGRAMMES

Going by the modus operandi of the I.M.F. Economic recover/reform policies, it has become very clear that, the main objective, aim or interest of the Institution is to ensure that the third world countries and or economies are fully integrated into the mainstream world capitalist system for ease of exploitation, a subtle way of re-colonization. The economic policies and programmes of the fund and the World Bank are designed and tuned towards

the realization of this unstated goal. The developing countries provide ready markets for the industrial finished products and equipment (i.e. technology and labour) which is very vital to the survival of the industrialized economies.

In all the over 57 developing countries and that the I.M.F. is involved in the name of economic recovery or reform, the funds' policies and programmes with their concomitants remain the same not withstanding the nature of the economic problems or crises. This is a clear indication that there is something more than meet the eye apart from the often stated intentions. The I.M.F. has through the intricate processes dribbled the developing countries into a debt trap in which they are all entangled and are being manipulated in a situation whereby the more the developing countries repay the debts, the more the debts increase.

The I.M.F. requirements from the ailing economies of the third world are the same; such as; divestment, commercialization, removal of any form of subsidies, devaluation of the local currency, reform of the education sector, reform of the political system, reduction of Government employment and the like. In doing this, and to ensure that their interest is being protected and pursued, the I.M.F. and the World Bank directly supervise the implementation of these interest – loaded economic reform policies and programmes. They do this by "seconding their employees and agents to the ruling circles as ministers, Advisers and heads of parastatal and extra-ministerial establishments" (ASUU, COMMUNIQUÉ, NEX MEETING; 2005).

Privatization which is a major plank of the I.M.F. economic reform programme is done under strict supervision of the fund and the World Bank. The idea is to transfer the ownership of government owned enterprises

(SOEs) to the private firm or individuals. It has become clear that those benefiting from the privatization exercise of Nigeria are the foreign companies otherwise refereed to as core investors. They have dominated the communication sector and Nigerians are being exploited in an unprecedented manner. All the major companies such as MTN, V.Mobile, Global are foreign companies with links with the core capitalist economies of the west and Europe with local Agents or collaborators who serve as commission Agents.

The U.S. and the west as a whole "through the I.M.F. have continued to advocate liberal economic policies of globalism and an integrated world economy but at the same time they insist on protecting their own domestic industries" (Alkali, 2003:261). The undeclared interest of the I.M.F. and World Bank manifests mostly in the contradictory manner the policies are being implemented in developing countries on the one hand and what obtains in the industrialized west. For instance, "while the industrial west and Europe spend vast resources providing welfare services such as basic health, education social insurance, for their citizens, using the instrumentality of the state, they insist that the state in the third world must roll back its frontiers and eliminate subsidies in all agricultural and social subsections" (Ibid:263).

There is enough evidence for us to argue that one of the interests of the west-European countries is to make sure that Nigeria and her sister developing countries remain dependent on them in all economic aspects. The I.M.F's interest is to ensure that, Nigeria does not attain self-sufficiency in agricultural production nor make any break-through in the provision of education (knowledge acquisition), which are very vital requirements if any country is to make a break through. Whereas the Untied States subsidizes Agricultural production to the tune of several billions of dollars, the I.M.F. insists that subsidy on Agricultural in Nigeria and other third world countries

should be removed. This explains the reason why the Nigeria's – I.M.F. – supervised budgets of 2001, 2002, 2003 and 2004 laid less emphasis on agriculture which is supposed to be the backbone of the Nigerian economy.

The same fate has befallen the equally critical education sector, it is a basic fact that creation of knowledge is a necessary requirement for any industrial or economic growth and development. It is therefore not by coincidence that since the I.M.F. intervention within the last twelve years education has been on the decline due to declining budgetary allocation. It is naïve for any one to think that an I.M.F. supervised budget in Nigeria will give any priority to either education or Agriculture. This is for he simple logic that, a boost in agricultural production will make Nigeria self-sufficient in food production and also produce relevant manpower both of which will kick-start a serious process of industrialization.

This is certainly antithetical to the interest of the capitalist western and European countries. This because they will have no more ready markets for their agricultural/industrial products. If Nigeria or any other third world countries can produce her own technology, it will also mean the Nigerian market will be closed to western and European technology and "manpower/experts". In a nutshell, the interest of the I.M.F. which the fund is pursuing through its policies is to ensure that Nigeria and the third world at large does not become independent or make any break through economically or technologically because that will affect the status quo. Such a scenario will liberate the developing economies from the strangle hold of the developed economies on whom the 3rd world countries have become dependent over the years. The western and European counties "will prefer and will go to any length to ensure that they continue to dictate the pace, tone and tempera of global economy and politics" (Ibid: 264).

The interest driven nature of the I.M.F. policies also manifests when the fund commends the political leadership for properly or religiously implementing its policies without necessarily having anything to show for it in terms of any improvement on the part of the economy. While the indices/indicators show a decline in the Nigerian economy with the people's standard of living worsening all because of the I.M.F. reform policies, that are being feverishly implemented by the Obasanjo government since 1999, the I.M.F. and the World Bank have consistently commended the Obasanjo government on the way the policies are being implemented. This clearly shows that, the I.M.F. interest which is being pursued is at variance with that of the Nigerian people. The economy has not shown any sign of recovery or improvement since the I.M.F. policies started operation in Nigeria in 1988. One therefore wonders what is there to warrant the commendation of the Nigerian Government about if not because the fund's interest is being protected and pursued. It means the I.M.F. is happy with the poor down-turn of the Nigerian economy, which will make the Nigerian Government to continue to look onto them for solution or survival in a continuous vicious cycle of manipulation and exploitation.

The fact that the I.M.F. policies have not succeeded any where since their introduction but have continued to be applied with the insistence of the I.M.F. and without any review means that the policies are not necessarily meant to benefit the recipients but rather, to serve certain vested interests of the international capital. The policies serve as control mechanism and to keep the various third world economies in control under the ambit of the capitalist system. The I.M.F. policies are designed and applied in Nigeria and other developing countries in such away as to ensure that these countries remain consuming economies.

The I.M.F. policies and programmes of privatization and commercialization have only taken the third world economies down the doldrums instead of the Eldorado which they always promised; yet, these Bretton Woods Institutions have never shown any remorse or regret for the failure of these pet policies of theirs. This further supports our argument that the policies per se are meant to keep the various developing economies under the control of America and Europe. As indicated in appendix No. 7 several developing countries are engaged in the privatization programme as Nigeria is doing.

While the local indigenous entrepreneurs back in the western and European countries are protected by their governments, the same governments through the I.M.F. and the World Bank insist that the market in the developing countries be opened up for competition with foreign companies or business concerns. This can only be in the interest of the west and Europe and not for the benefit of the third world countries.

It is equally significant to understand that, "by the very weak nature of the third world economies, the kind of role the state plays in managing the economy is significant in either the intensification of the development process or in slowing it down". (Pine, 2004 4:40). It is fallacious, misleading and injurious to the economies of the third world to limit or even to remove the state from participating in the commanding heights of the developing economies. Such policies which can only serve imperialist interests can only pave way for the complete take over of the developing economies as it is happening currently right across these countries of the third world such as Nigeria.

In a nutshell, the I.M.F. is usually imposed to supervise the necessary restructuring of the economy needed to create enough resources to repay the

debts of the rescheduling exercise. The I.M.F. is also to impose conditionalities that would convert these debt-ridden third world countries into permanent suppliers of agricultural and other raw materials to the industrialized western countries and to force them to follow the free market, anti-socialist ideology of the west" (Ayagi, 1990:8). The conditionalities of the industrialized western countries include: "devaluation of the national currency; heavy reduction in government expenditure, privatization of government investment; removal of all restrictions to trade; removal of oil subsidies; and restructuring the economy to produce essentially agricultural raw materials for exports" (Ibid:9).

The I.M.F. economic reform policies as already articulated are basically intended to keep the developing economies under the control of the west. This is because "it would amount to a threat to the west, especially America if a developing country achieves some level of economic and technological break through or development" (Hussein, 2002:15).

6.05 ARGUMENTS IN FAVOUR OF PRIVATIZATION

The argument in favour of privatization anchors on the believe that it will bring about economic growth and development. Privatization, it is argued, will bring about "popular participation in the economy and more equitable interpersonal income and wealth distribution through wide-spread share ownership even at the grassroots" (Wiltshire, 1998:2). Privatization of SOEs became necessary in Nigeria because "the public enterprises suffer from defective capital structure exercise bureaucratic control or intervention, inappropriate technology, gross incompetence and mismanagement, blatant corruption and crippling complacency which monopoly engenders. These short comings take a heavy toll on the national economy" (Obasanjo, 2001:3).

It is estimated that "successive Nigerian governments have invested up to 800 billion Naira in public owned enterprises with an annual return of less than 10 percent. These in efficiencies and huge losses are charged against the public treasury. With declining revenue profile and escalating demand for effective and affordable social services, the general public has stepped up their yearning for state-owned enterprises to become more efficient" (ibid:3). It is hoped that "privatization of these ailing public enterprises is the best option to resuscitate them and liberate the capital that has been tied down to these SOEs" (Bala, Opcit: 14-18).

Privatization is necessary for economic recovery and improvement of social and economic lives of the people through poverty alleviation. That privatization "permits governments to concentrate resources to their core functions and responsibilities while enforcing the rules of the game; so that the market can work efficiently with provision of adequate security and basic infrastructure as well as ensuring access to key services like education, health and environmental protection". (Abdulkadir, 1987:12).

Privatization is also regarded as "one of the reforms government has to undertake to integrate the national economy into the mainstream of the world economic order. This is necessary so that Nigeria can get the necessary technology, the managerial competence and the capital from the developed world to enhance the performance of the country's utilities" (Adamolekun & Laleye, 1986:10). There are also "Very serious linkage between the efficient functioning of utilities and the ability to attract foreign investments" (Obasanjo, Opcit:3). Most public enterprises "do not function and have failed the Nigerian people. Government has no reason to keep them as doing so is neither just nor fair" (Abubakar, 2001:5).

Other arguments for privatization are based on the benefits that will accrue as a result. These include: "freeing public resources for investment in infrastructure, education, health, Agriculture and poverty eradication; improving productive and allocative efficiency leading to corporate expansion and increased quantity and quality of jobs, broadening and deepening the capital market, enabling entrepreneurs to rapidly expand production, securing competitive prices for goods and services provided by enterprises and: improving payment of tax revenue to fund social obligations to the citizens instead of dependence on the treasury for funding" (Phillips 1987:16).

According to El-rufai (2002:2-6), "Privatization is important in reforming the economy, rolling back the frontiers of government and getting those basic needs ultimately available to everyone. It will also curb corruption and make political office and appointment less attractive. Privatization has become necessary because government has failed in terms of providing for the people". Privatization is necessary so as to reduce government's involvement in the economy. This is important because "government still constitutes a large size of the Nigeria economy. So anything you want to do, you have to do it with the government and in government, nobody owns anything. When the government owns something, nobody really cares" (Ibid).

Some other reasons put forward as justification for privatization are that; "privatization helps to make the economy functional by reducing the awareness for corruption by eliminating the attraction of political disruption, because there is nothing to take over power for. In most developed countries people go into politics for the name and prestige rather than the money" (Ibid).

It is rather argued that, "the dilemma of growing contrast between public waste and private thrift is encourage governments to seek solutions to the problem of public enterprises via privatization. The Nigeria privatization and commercialization programme was developed in order to address the country's peculiar socio-economic and political conditions and to lay the foundations for greater private sector role in the management of the national economy" (Zayyad, 199:23).

The proponents of privatization believe that the exercise will rectify the following anomalies in public enterprises:-

* "the confused and conflicting missions of the state owned enterprises;
* The political interference in operational decisions;
* The misuse of monopoly powers of the public enterprises;
* The defective capital structures;
* The bureaucratic redtapism in their relations with supervising ministries;
* The mismanagement, corruption and nepotism. The privatization and commercialization exercise will restructure and recapitalise them under more purposeful and result-oriented ownership and management" (Shonekan, 1991:19).

The imperative of privatization was heightened by the economic crisis following the collapse of the oil prices in the 1980s. there was an "ideological shift towards less government and it became imperative for the government to rationalize its activities and concentrate resources in areas where it is best suited. It is believed that privatization is capable of addressing the economic crisis" (Wilson, 1990:35).

Apart from being a necessary paradigm for the socio-economic development of the country "privatization was expected to help Nigeria to regain international faith confidence in general and in the country's economy in particular" (Ayub, 187:13). The Nigerian economy has recorded very low performance to the extent that today, Nigeria ranks among the poorest nations of the world with a per capital income of less than 300 US dollars per annum. Similarly, over 90 million Nigerians (80% of the total population) live the poverty line of less than one US dollar per day. In order to turn the economy around "administrators of the public sector organizations must be transformed into managers, skilled in scientific management, speaking management language, thinking in managerial concepts and working in accordance with management models, target-setting performance, etc" (Babangida, 1992:25).

Another perspective of the argument for privatization in Nigeria is the globalization process and the need for Nigeria not to be left behind. Proponents of privatization and commercialization have stressed the need for Nigeria to be involved in the global market competition. They argue that "Nigeria being an important/strategic country in Africa and a leader of some sort in the region must strive to play a leading role in the economic issues relating to globalization and redirection of the focus of the economies of developing countries towards market oriented ones" (Humming and Mansor, 1989:30).

This argument has been anchored further by the postulation that "the World over, the dilemma of growing contrast between public waste and non performance as opposed to private thrift and efficacy has encouraged governments to seek solutions through privatization. There are over 120 countries across the world undertaking one form of economic reform or the other not to mention the wholesale economic restructuring taking place in

Eastern Europe and the former U.S.S.R" (Millward. 1990:14). That because of the realities of the current times, the issue of globalization and competitiveness has been pushed to the front burner especially within the business circle. The implications and challenges of these changes can only be ignored at one's peril" (Barlary, 2005:15). Globalization which also encapsulates economic reforms has ushered in "rapid increase in seamless cross-border exchange of social, cultural, commercial, technological and financial transactions with attendant lowering or virtual removal of trade barriers and tariffs" (Ibid:18).

The privatization and commercialization approach has therefore become necessary or imperative as "people have to consider and re-strategize on how to manage and do business under the global trend or dispensation. The focus that now drives production of goods and services in today's globalized world capital and the soft wares that actually run most factories" (Mba, 1004:21). Globalization and its fall out "affects directly, countries firms, institutions, families, products and individuals; no human endeavour is left out of the globalization phenomenon" (Barlay; Opcit:19). It is argued that nations ought to be part of this global phenomenon.

Any country that wants to create a conducive platform for global competitiveness shall tackle and surround the key challenges posed by globalization and "these are; enabling environment, infrastructural facilities, education system, corruption, economic crimes, lethargy, reluctance to change, reward/incentive system, challenges, technology, security organizational transformation, adaptation and dearth of data" (Ibid:20).

According to Rator (2004), "Developing counties stand to gain through economic reform polices of privatization and commercialization". He enumerates such benefits as "Good governance, increased trade and aid, marco-economic stabilization and helping the developing countries to achieve their development goals. The polices will also facilitate the attainment of the united Nation's Millennium Development Goals (MDG). They swill also

curb inflation and establish better control of the public finances of the LDCS" (Rato, 204:46).

Another argument that has been advanced as justification for privatization is "the need for Nigeria to qualify for debt relief and debt forgiveness by her creditors. This also includes prudent management of the country's excess crude oil money and good adherence to the budget and budgetary provisions" (Ibid:46). Moreover, "privatization is aimed at making Nigerians to become co-owners in productive investment and stop locking up their money in Bank Accounts and pillows: unlike at independence in 1960, many Nigerian have become multi-millionaires who can comfortably and effectively and profitably run public enterprises" (Zayyad, 1990:14).

Privatization is considered to be of critical importance in the Nigerian economic reform programme and no reform will be complete without privatization. Privatization is primarily aimed at making the private sector the leading engine of growth of the Nigerian economy" (Financial Standard, 2004:10). Privatization is crucial for both the growth of the economy and attracting foreign investment.

According to Makanda (198:30). "a sizeable proportion of African and governments of other developing countries have come to recognize the need to transfer some economic activities performed by the state to the private sector especially in view of the very poor delivery of public services by public enterprises. However, the question of external pressure on these countries to privatize cannot be ignored"

As White and Bhatia (1998:29) have equally argued, "without donor pressure and support, it is doubtful that privatization would have progressed as far as it has done in Africa; donors have put pressures on governments to divest". This is to say that one of the reasons or rationalization for privatization is to please the donor countries so that these developing counties undergoing these types of economic reform programmes and policies can

benefit from either financial aid or some concessions in respect of their debts. The World Bank "has moved beyond merely making privatization a pre-condition for loans by setting goals and schedules for meeting divestiture targets" (common wealth secretariat etal, 1994:24 and this may be expected to reduce costs. It will allow management to concentrate on business rather than being subject to constant and often conflicting political pressures. At the macro-economic-level, privatization will also lower inflation which will result from reduced 'wage push pressure from the unions, as well as a reduction in the public sector Borrowing Requirement (PSBR)" (Fafowora, 2001;289-290). Privatization will reduce pressure on public sector to borrow to finance the state-owed enterprises, "since operating deficits of loss-making enterprises and borrowing to finance new capital investment will no longer be counted as public sector borrowing" (Ibid:290). The government can then use it meager resources for the development and maintenance of public infrastructural facilities, and the maintenance of law and order which are essentially the traditional tasks of government.

Privatization will also "brig about good management of the private enterprises by managers who will become well motivated and sufficiently monitored. There will always be pressure to improve both quality of services and or goods and also performance. The tax base will also be increased with profitable companies while additional funds will be realized from the sale of the firms" (Flores, 1994:15). It is expected that money to be realized from the privatization programmes will be used for accelerated socio-economic development in general and social services and amenities in addition to taking acre of security and maintenance of peace and harmony in the whole country.

6.06 ARGUMENTS AGAINST PRIVATIZATION

Where as those who strongly support privatization are mostly within the government and business circles, those who advance arguments against the

economic policy are many and cut across all the sectors of the economy. They are well informed and well placed. They are mostly in the academia, Labour and human rights organizations.

The selfish or self-serving nature of the policies of the I.M.F and World Bank which are easily discernable have made people suspicious of such policies and they vehemently opposed their implementation. Some of the I.M.F. recommendations have no economic logic and this has made most Nigerian, especially the intelligentsia more apprehensive and suspicious" (Essien, 1990:90). There are so many instances illogicality and or contradictions of the I.M.F economic policy recommendations have manifested themselves. Take for instance, "in 1984/1985, a time when Nigeria could not pay or its trade arrears and when shortage of foreign exchange problem was the very reason for inviting the I.M.F. for support, it appeared cynical, hypocritical and uneconomical for this same institution to recommend the importation of more goods from creditor countries" (Ibid. 90).

Also just at this time when I.M.F. was recommending importation of goods from creditor countries, the fund was equally recommending an inward-looking approach/strategy for the sourcing of raw materials and supporting the growth of domestic industries. This was diametrically opposed and contradictory to its declared objective as more imports would compete and kill domestic industries" (Odife, 1986:16). While also the I.M.F. is prohibiting Nigeria from subsiding her farmers who constitute over 70% of her total population, America is subsidizing her own farmers who constitute a mere 2% (two percent) of the country's population with several billions of dollars. It is this 2% that produces for the entire country and even export the surplus to other countries" (Oni etal, 1999:165).

These self-serving and contradictory manifestations have created fears, apprehensions and galvanized Nigerians against such I.M.F. economic policies as privatization. It is argued that, "give the modalities, methodology, pattern and direction of the Nigerian privatization programme, the position of the Nigerian power and property class is being consolidated through the exercise" (Gana. 1999:8). The kewed and unfair nature of the privatization exercise also form part of the reasons for its opposition. In the words of Gana (Ibid) "Public property is being privatized on a scale unknown in the annals of Nigerian history. While the power elite in collaboration with the property class are acquiring the critical economic enterprises because it is only them who can afford, majority of Nigerians are being pauperized on daily bases to the extend that even those who were hitherto above the poverty line (i.e. the middle class) have been pushed down to join the greater majority below the poverty line who live on les than one US dollar per day".

The argument against privatization also hinges on the fact that "economic reform programmes being sponsored by the World Bank and the I.M.F. have never succeeded anywhere let alone Nigeria. These policies have tended to aggravate the hard economic conditions which they claim to set out to solve the first place. They contend that, "the I.M.F. economic recovery policy of privatization is aimed at subordinating both the states and their economies to serve the western imperialist designs" (Nwankwo, 186:8).

On the other hand, "the massive cuts in public expenditure, especially in education, health and social welfare have intensified poverty, opened up unfettered avenues for the proliferation of myriads of preventable disease…" (Jega;2001:5).

Jega (Ibid) argues further, that, "privatization seem to be effective only in disposing of economically viable enterprises such as banks and public

utility companies whose problems if any, could have been addressed through a carefully planned programme of commercialization. The drive for privatization, using core investors, is mortgaging the key productive sectors of the economy to foreign multinationals whose long-term objectives can only be defined in terms of lucrative repatriation of as much profits as they possibly can, without bringing in any fresh tangible investments and long-term commitments".

The argument that privatization is necessary for efficiency and freedom has come under attack by Toyo (2001) who argues that, "the argument about efficiency is misplaced. The efficiency argument uses financial profitability criterion but the enterprises where not established for profits. They were established for development purposes. Even if most of these enterprises make loses, one has to go into managerial detail to show why they make losses and each cause can be remedied without having to privatize the enterprise". Toyo argues further that, "it is not a rule that a state owned enterprise can never do well even by the profit criterion. The Ethiopian Airline is publicly owned but it is reputed to be one of the most efficient airlines in the World". (Ibid). Rather than privatization, Toyo believes that commercialization is a better option.

Argument is also posited that, "apart from showing profit through inflationary mark ups in a monopolistic economy, the Nigerian privatized sector has not shown any evidence of real efficiency. Such evidence lies only in continuous production growth. Privatization has not caused exports to grow in any measure that can even lessen the foreign debt burden" (Ibid). If a government enterprise is privatized, the worker become wage earners/slaves in an enterprise they do not own. That is slavery not freedom. On the other hand, if all workers work in an enterprise, which they participate equally with

other people in owning, then that is freedom. The capitalist system is precisely one in which the master, i.e. the owners of the enterprises are free, while the worker are slaves" (Ibid).

Privatization is also seen by opponents as, "capitalistic and the take over of the enterprises which is considered as one of the methods of primitive capitalist accumulation. It is the method of passing already built state enterprises to capitalists; a method of making capitalists to jointly or individually acquire rather than build enterprises" (Ibid). Odife, (Opcit:31), argues that, "there is reason to be concerned about the fear which many people have expressed about privatization and the dangers of unbridled capitalism which the programmes could give rise to. The experience which Nigeria has had over its two indigenization exercises has been sad and unfortunate".

Odife (Ibid) enumerates a catalogue of malpractices which were revealed, especially after the first indigenization exercise as follows:-

"(a) A few privileged people buying up most of the shares;

(b) Some sections of the country concerning the bulk of the shares;

(c) A few people being chosen by the expatriates to serve on the boards of most companies;

(d) Some Nigerians fronting for expatriates or for the Nigerians;

(e) Some people paying for their shares out of dividends.

(f) Many of those who became captains of industries set up by aliens did not bother to share their own companies with other Nigerians" (P.32). This is precisely what is going on with the privatization programme as at today.

Those against privatization argue that the claim that privatization will turn the enterprises around and promote economic growth he development

cannot hold water. They contend that, "the long list of unprofitable companies in the private sector and companies in voluntary or forced liquidation belies any such suggestion. The private sector has its own deadwoods. The private sector in Niger a probably contains as much waste, graft and corruption as the public sector" (Kurfi, 1999:69).

It is important to note that, even those who are charged with the responsibility of the implementation of the privatization programme have had cause to express some doubts as to the programme's viability. They fear that "Nigerians may be sidelined in the privatization exercise because most Nigerians do not have the financial muscles to participate in the exercise. This has left the field for foreign investors to take over control of crucial enterprises like the National Power Authority (NEPA), the National Telecommunications Limited (NITEL), the Nigerian Railway Corporation (NRC) and the Nigerian Ports Authority (NPA)" (Bala: Interview).

Nigerian businessmen have found it difficult to raise money to buy the public enterprises being privatized because of the huge amount of money involved. The local banks do not also have the financial strength to raise such huge capital outlay to assist Nigerian businessmen to buy the companies put up for sale by the Bureau for Public Enterprises (BPE)" (Ibid). this technical deficiency of Nigerians seem "to have precluded them from the privatization of parastatals such as NEPA and the Refineries. The BPE being fully aware o this has shifted its focus to foreign investors who have both the financial muscles and the technical capability to effectively manage such parastatals" (Ibid). this has justified the fears and pessimism expressed by Nigerians about the viability of privatization as an economic policy option.

Nigerians have expressed fears that "BPE's strategy of selling the parastatals to core investors who are mainly foreigners could lead to private

monopolies that would eventually form a cartel. This would be detrimental to the Nigerian economy" (Bucknor; interview). It is argued that, "it is disastrous for government to withdraw from the economy as privatization suggests. You cannot rely on foreign companies for the growth of your economy. Foreign investment cannot add more than 10% to the growth the economy" (Aluko 2004).

It is also argued that, privatization is not the answer; rather, "government is the pivot of growth in all ramifications especially in Africa and the third world countries in general. The capitalist theories hold no practical meaning for development countries whose governments must first propel their countries towards economic and social stability before launching out into the competition of global trade" (Aluko, Ibid). The I.M.F. and the World Bank are seen and regarded as tools of the developed countries used to suppress growth in developing countries through the developed countries used to suppress growth in developing countries through the prescription of bitter economic pills and stifling jumbo loans. Privatization is regarded as part of the dictates from the west who have asked the Nigerian government "to withdraw more and more from direct participation in the economy in the name of privatization, deregulation, commercialization and liberalization" (Ibid).

The Nigerian government under Obasanjo is said to be naïve in its believe in the I.M.F. economic reforms and that "by embracing the privatization programme, the government has demonstrated its misplacement of trust in the dynamics of the west and the modus operandi of their economy. The Nigerian government does not seem to understand that the west has always exploited the economy of the developing countries and that is how they become rich. This serious mistake" (Dike, 2001:140-143).

One of the advantages or benefits which privatization was expected to bring to the economy was the attraction of Foreign Direct Investment (FDI) to Nigeria. However, it has been discovered that this is not being achieved. Instead of injecting capital into the Nigerian economy, foreign core investors seek loans from Nigerian domestic banks to finance such investments as the case of NITEL. Monies meant to be loaned to other sectors of the economy are redirected to finance foreign investors" (Yakubu, 2004,40). Instead of attracting foreign investors/investments, the existing ones are daily slipping away. FDI which constituted 12% of Nigeria's GDP in 1986, fell to 5.6% in 1988 and 2.8% in 2001. It is further declining" (UNIDO Report, 2003:30).

The legality or constitutionality of the privatization programme has also been challenged or questioned. This based on the fact that "the core companies/corporations around which the national economy revolves and which are being privatized are all monopolies of the Federal Government in the constitution. The constitution should have been amended before any privatization could be considered" (Dafinone, Interview). Closely related to this is the question of equity, justice, fairness and accountability. It is doubtful if this can be guaranteed under the privatization exercise. Another fear is whether it is possible for the principle of Federal character and quota system to be upheld I the privatization exercise. There are already complaints about the disparity of participating in the exercise.

The issue of job in securities arising from "downsizing" in privatized companies has been another strong point that opponents of privatization have employed to advance their case. Many companies/industries have closed down following the harsh economic policies of the I.M.F. which Nigerian governments have been implementing since 1988. as a result, many workers have lost their jobs. There is also the argument that privatization encroaches

on Nigeria's sovereignty. It touches and infringes on national security to allow foreign concerns to hijack the commanding heights of the Nation's economy in the name of privatization" (Hussein, 2002:15).

In the words of Fofowomo (2002), "the I.M.F. is oppressive in its policies of economic revival in developing countries. It is dooms day for any African country that does business with the colonial tools of exploitation – the I.M.F. and the World Bank. No nation has done business with I.M.F. and come out without regrets. This is because, the fund's conditions are too exploitative and stringent. The west cannot love Nigeria more than Nigerians; greed is the underlining index behind all the policies of the I.M.F."

In a nutshell and by way of recapitulation, opposition or arguments against privatization have been based on the following fears, which have in practical terms proved to be genuine;

* Job losses;
* Exploitation of consumers through price hikes
* Low quality goods and services;
* Concentration of public assets in the hands of small elite groups;
* Worsening of income and wealth distribution;
* Subjugation of social objectives;
* Monopolizing of the privatized process by privileged ethnic and other interest groups with easy access to capital;
* Lack of transparency and hence corruption and nepotism in the process;
* Foreign domination and;
* Illegality or unconstitutionality of the exercise" (Obadan, 2000:xii).

General arguments for and against privatization are reflected in the general quotations contained in Appendix No. 3.

CHAPTER SEVEN

7.00 DATA PRESENTATION AND ANALYSIS

7.01 INTRODUCTION

The economic crises manifesting in many dimensions and sectors of the Nigerian economy coupled with endemic poverty in spite of the well articulated exogenous economic reform policies being implemented for many years running now prompted this study. The objective for this research was to examine these economic crises side by side with the I.M.F. reform policies especially the privatization programme of the Obasanjo administration implemented between 1999 and 2006. The idea being to find out the reasons responsible for the ineffectiveness of these policies and to provide alternative recommendations. This is precisely the objective and mission of this study.

To be able to do this, we decided on the methodology of content analysis and interview of certain personalities who have been directly involved in the implementation of these economic reform policies that were designed to turn the Nigerian economy around. We relied heavily on the methodology of content analysis because of the nature of the topic under investigation. We have already pointed out the numerous advantages of the methodology we adopted in our introductory chapter of this study.

Instead of observing people's behaviour in a direct manner, or asking them to respond to scales or interviewing them, we took the numerous communications people have produced and asked questions of the communications in the course of our investigations. In this study, to be precise, newspapers periodicals, magazines, bulletins, discussions/ commentaries on radio and television and indeed all other written materials not mentioned here but found to be relevant were subjects of study. This was done with the view to explaining the role of I.M.F; its policies and the

people's general perception of the fund's interventions and or interferences in the affairs of Nigeria and other developing countries. What do Nigerians perceive as the impact or implications of these interventions. A serious, critical consideration and attention was given to editorial opinions of newspapers, magazines and periodicals since the stand of any such publications on any issue could be judged by their editorials and comments as the case might be. The letter pages of the newspapers/magazines were also content analyzed with very careful attention. We considered this aspect to be of very serious importance because public opinions expressed in such letters reflected and mirrored public feelings, opinions, understandings and their general reactions to government policies and or proposals.

For a good representation, six newspapers with national spread/coverage were randomly selected for this purpose. On the other hand, the News magazine, Newswatch magazine, the Week magazine and TELL magazine, were also randomly selected. On the other aspect of interview, we restricted our interview to those who had been exposed to relevant experiences and interviewed them with respect to their experiences.

It is also worth noting that there were other numerous relevant publications which were critically examined. Apart from interviewing the heads of Bureau of Public Enterprises (B.P.E.) who held sway at the Agency during the period of this research, (1999 – 2006) we also availed ourselves of the numerous publications of the Bureau, which is charged with the responsibility of carrying out the privatization of designated public enterprises.

7.02 UNIT OF ANALYSIS

Individuals were our unit of analysis. They constituted the persons with the following characteristics:

- They were individuals who could read and write.

- They were journalists, political elite, lecturers.
- Top civil servants/public officers who are involved in the policy implementation process at relatively high levels in the public service. Rather than asking respondents to read and fill in answers, questions were asked and answers recorded either with the use of a tape recorder or on paper.

Three interview methods were used namely:

i) Structural interview was used for obtaining information on specific areas of interest to us.

ii) Unstructured interviews were used for information through informal discussions on general issues and,

iii) Informal discussions were used amongst enlightened elements of the public in order to gather information from individuals who played important roles on issues relating to certain aspects of the implementation of the policies under study, particularly the privatization programme of the Obasanjo government (1999 – 2006).

7.03 RESEARCH QUESTIONS:-

The underlisted questions guided us in our investigation:-

i) Are the I.M.F. economic reform policies the ultimate end in the economic development of the Nigerian State?

ii) What is the impact of foreign intervention in Nigeria's economic transformation?

iii) What are the causes of the Nigerian Economic crisis?

iv) Who are the victims of these I.M.F. Economic reform policies and who are the beneficiaries?

v) Does I.M.F.'s involvement in the economic affairs of Nigeria have any link with the country's colonial history and heritage?

vi) Can the I.M.F. privatization programme bring about any economic prosperity to Nigerians?

vii) Why have the I.M.F. economic reform policies failed in Nigeria and other developing countries?

viii) What is the role of the I.M.F. in the globalization process?

ix) What are the alternatives to the I.M.F. Economic reform policies?

7.04 RESEARCH FINDINGS

Based on the data we analysed, our major findings have shown that rather than bringing about economic development, I.M.F. economic reform policies in Nigeria since 1985, or thereabout have exacerbated the problems instead. Poverty has increased tremendously. About 85 percent of our respondents were of the opinion that the policies were designed and adopted to serve only as conduits through which surplus extraction and exploitation of human and other resources could be carried out and are being carried out. These resources could have been effectively channeled for the provision of social services and other infrastructural facilities" (interview with Abuja University

Lecturer, 2002). The privatization programme was easily and regularly cited by respondents and commentators as a rip off against Nigerians.

The respondents were not happy with the way and manner the Nigerian State has continued with the embrace of the exogenous economic reform policies in spite of the inability of the policies to turn the economy around after several years of their implementation. One of them lamented thus: "Can we continue to squander the vast space by providence under our husbandary and over which we exercise a clearly unjustified sovereignty to the detriment of our collective humanity? We have effectively surrendered our policy initiatives and intellectual autonomy to the neo-liberal Washington consensus that dominates the contemporary global political economy. We have surrendered the day to day running of the economy to the I.M.F. and World Bank. We are privatizing badly run State enterprises with foreign conglomerates as core investors … drastic steps are necessary to redeem Africa" (journalist in an interview).

Through our investigation, we were able to establish that economic reform programmes/policies of the I.M.F. and World Bank have not yielded any meaningful results in the search by the Nigerian State for socio-economic development. A lot of the members of the enlightened segments of the Nigerian public were of the strong belief that the propagation of these policies of the Bretton Woods institutions is only but, "a continuation of colonialism in a new form that is more complex and invidious, and manipulative than the former mode of domination that was direct, crude and confrontational in certain aspects" (interview with University of Abuja Lecturer). This situation is the cause of increased and widespread poverty all over the country.

We also found out that since the I.M.F. economic reform policies became the vogue in the mid 1980s, the Nigerian economy has been on the

rapid decline. Industrialisation has almost grounded to a halt with the complete shut down of industries in places like Kaduna, Kano, Maiguri, Jos, Gusau, Lagos and Enugu – Aba axis, throwing thousands of workers into the labour market. In Kaduna alone, over five thousand textile workers lost their jobs following the closure of the textile industries in the town. This coincided with the period when the privatization programme was being intensified. This is paradoxical, given the fact that privatization was said to have been designed to energise the private sector and boost industrial growth with a view to creating jobs for the teeming unemployed youth.

Despite the huge amounts of domestic resources, both human and natural, which Nigeria is endowed with, coupled with the exogenous economic policies that are being implemented with total and unwavered commitment; the economy is still on the brink of collapse. The poverty and suffering of the overwhelming majority of the people is intensifying on a daily basis. In the course of our investigation, it became very clear as supported by respondents and a lot of data that the strategies, programmes, plans and policies of all the civilian and military regimes of the last twenty seven years have only expanded and consolidated the structures and processes that generate the persistent economic crisis that appears to have defied and ridiculed all efforts aimed at resolving it.

It is interesting to note that, we found out that by 1986, the following State or public enterprises had been slated for full and partial privatization.

TABLE 2: SHOWING PUBLIC ENTERPRISES SLATED FOR FULL PRIVATIZATION AS AT 1986

1. Nigeria Hotel Limited.
2. Durbar Hotel Limited.
3. Aba Textile Mills.

4. Central Water Transportation Company Limited.
5. National Cargo Handling Limited.
6. Nigerian Dairies Company Limited.
7. Nigerian National Fish Company.
8. Nigerian Food Company Limited.
9. Grains Production Company Limited.
10. Nigerian Poultry Production Company Limited.
11. National Root Crops Company Ltd and other such Food Production Companies.
12. Nigerian National Shrimps Company Limited.
13. New Nigerian Salt Company Limited.
14. National Fruits Company Limited.
15. National Salt Company Limited, Ijoko.
16. Specomil Nigeria Limited.
17. South-East Rumanian Wood Industries Ltd, Calabar.
18. Nigerian – Rumanian Wood Industry Ltd, Ondo.
19. Nigerian Yeast and Alcohol Company Ltd, Bacita.
20. Nigerian Film Corporation.
21. Nigerian Freight Company.
22. Nigerian Transport Limited, Abeokuta.
23. Opobo Boat Yard.
24. National Animal Feed Company, Port Harcourt.
25. Madara Dairy Company, Vom.
26. Ore/Irele Oil Palm Company Ltd, Ondo.
27. Okomu Oil Palm Company, Bendel.
28. Guinea Insurance.
29. Mercury Assurance.
30. American International Insurance Company.

31. Crusader Insurance.
32. United Nigerian Insurance.
33. Royal Exchange Company.
34. NEM Insurance.
35. Law Union and Rock.
36. Prestige Assurance.
37. British American Insurance.
38. West African Prudential Insurance.
39. Sun Insurance.
40. Niger Insurance.
41. Nigerian National Supply Company.
42. National Livestock Production Limited.
43. Road Construction Company of Nigeria.
44. National Film Distribution Company Limited.
45. Nigeria Ranches, Kaduna.
46. Impresit Bakolori Nigeria Limited.
47. North Breweries Limited, Kano.
48. Nigerian Beverages Company Limited.
49. West African Distilleries Limited.

Source: Technical Committee on Privatization and Commercialization (TCPC)

TABLE 3: SHOWING PUBLIC ENTERPRISES SLATED FOR PARTIAL PRIVATIZATION AS AT 1986

1. All Commercial and Merchant Banks.
2. The Cement Companies.
3. Nigerian Agricultural Cooperative Bank, FMB, FSB, NIDB, NBCI.
4. All the oil marketing companies.
5. All the Steel Rolling Mills operating outside the Iron Complex.
6. All the Paper Mills.
7. All Truck Assembly Companies.
8. All Vehicle Assembly Companies.
9. New Nigerian Newspaper.
10. Daily Times of Nigeria.
11. News Agency of Nigerian; NAN.
12. Bacita Sugar Company.
13. Nigeria Airways.
14. Nigerian Superphosphate Fertilizer Company.
15. Tourist Company of Nigeria Limited.
16. Electricity Metre Company of Nigeria, Zaria.
17. Nigerian Fertilizer Company Limited.
18. Savannah Sugar Company Limited.
19. Nigerian Engineering Construction Company Limited.
20. Nigerian National Shipping Line Company.

Source: Technical Committee on Privatization and Commercialization (TCPC) 1986.

The names of most of the sixty nine (69) companies now sound very strange because they have since gone under liquidation and simply evaporated. The privatization programme under which these companies were

slated was a complete failure. It succeeded only in creating unemployment, inflation and poverty. Those who benefited and have continued to benefit from the Obasanjo's privatization programme under study, are the foreign companies referred to as the core investors and their local agents and collaborators. On the other hand Nigerians constitute the victims and losers in the privatization process.

The privatization programme of the Babangida regime pales into insignificance when compared with that of Obasanjo. Obasanjo's romance with the I.M.F. reform policies was unprecedented and total in all ramifications. Our findings indicate that by the calculation of the Obasanjo regime (1999 – 2007) no state or public enterprise was to be left unprivatized at the end of his tenure. The appendices 4, 5, 6, 8, 9 and 10 are a practical demonstration of the level of commitment to the privatization exercise and how sweeping the programme was carried out. In spite of all these, indicators in terms of the standard of living of Nigerians are not encouraging as graphically shown in the tables below:-

TABLE 4: SOCIAL INDICATORS IN SELECTED STATES

STATES	ZONES	% of Household Using Steam and Pond Water	% Without Electricity
Kogi	North Central	75.7	87.2
Akwa Ibom	South-South	70.4	86.3
Bauchi	North East	76.4	82.5
Enugu	South East	53.0	71.7
Ondo	South West	65.5	75.6
Katsina	North West	75.0	85.5
National Average		31.8	82.0

Source: Personnel Survey FOS, 1996, 1997.

TABLE 5: ACCESS TO POTABLE WATER IN SELECTED COUNTRIES

COUNTRY	% POPULATION WITH ACCESS TO POTABLE WATER
SWEDEN	100
SOUTH AFRICA	99
INDIA	81
MALAYSIA	78
BRAZIL	73
NIGERIA	16

Source: Human Development Report, the World Bank, 1997.

All these are incontrovertible realities which show that the I.M.F. economic reform policies have not actually succeeded in bringing about any improvement in the socio-economic well-being of majority of Nigerians except a very few group of elite who have taken the advantage of the policies to accumulate wealth for themselves alone to the detriment of the majority. The situation is even worse in other basic needs of the masses of the people like health. In a Central Bank of Nigeria (CBN) report of 2002, it was revealed that 20.6% of rural dwellers patronize traditional healers. The table below speaks for itself.

TABLE 6: TYPES OF HEALTH FACILITIES ACCESSED

	RURAL	URBAN	NATIONWIDE
Traditional	20.6%	12.4%	16.5%
Clinic	32.9%	16.3%	24.6%
Dispensary	23.1%	9.2%	16.2%
Patent Medicine Store	0.4%	1.2%	0.8%
Cottage Hospital	3.6%	2.5%	3.0%
General Hospital	16.2%	50.4%	33.3%
Specialist Hospital	3.2%	8.0%	5.6%
Fee-paying	100%	100%	100%

Free	-	-	-

Source: CBN Survey on Poverty Assessment 2002.

The poverty level on a national scale can best be appreciated when we consider it on a state by state basis. For example 72.43% of the People of Bauchi State in the North East zone of the country were adjudged by a Federal Office of Statistics (FOS) Survey between 1996 and 1997, as poor and there is nothing today (2008) to prove that the situation has improved or changed positively. Details are as presented in Table 7 below:-

TABLE 7: PERCENTAGE DISTRIBUTION OF POOR AND NON-POOR STATE BY STATE

STATE	POOR	NON-POOR	ALL
Abuja	45.37%	54.63%	100.00%
Akwa Ibom	62.99%	37.01%	100.00%
Anambra	56.30%	43.70%	100.00%
Bauchi	72.43%	27.57%	100.00%
Bendel	56.33%	43.67%	100.00%
Benue	54.95%	45.05%	100.00%
Borno	57.69%	42.34%	100.00%
Cross River	49.58%	50.42%	100.00%
Gongola	53.21%	46.79%	100.00%
Imo	57.69%	42.31%	100.00%
Kaduna	46.26%	53.74%	100.00%
Katsina	65.19%	34.81%	100.00%
Kano	65.59%	34.41%	100.00%
Kwara	62.41%	37.59%	100.00%
Lagos	44.70%	55.30%	100.00%
Niger	59.67%	40.33%	100.00%
Ogun	44.58%	55.42%	100.00%
Ondo	55.52%	44.48%	100.00%
Oyo	48.06%	51.94%	100.00%

Plateau	64.57%	35.43%	100.00%
Rivers	44.04%	50.96%	100.00%
Sokoto	49.0%	-	100.00%
All	**56.61%**	**-**	**100.00%**

Source: Federal Office of Statistics 1996/97

As recent as the above statistics may look, it is very clear from the current state of the national economy that, those were the days which could be said to be rosy and buoyant. Things have since worsened with the many years of mismanagement and intense and perverse corruption. Most Nigerians now live from hand to mouth. The entire middle class which was strong in the days during which the above statistics were taken, has been completely wiped out. The line is now sharply divided between the haves (minority) and the have nots (constituting the bulk majority).

7.05 THE FAILURE OF I.M.F. ECONOMIC REFORM POLICIES IN NIGERIA

One of the most fundamental of all the Research Questions that guided us in our investigation, is the one that sought to know and to understand the reasons why I.M.F. economic reform policies have failed to solve the economic problems for which the reforms were purposely designed and implemented in developing countries.

That the I.M.F. has failed to resolve the Nigerian economic crisis after over twenty seven years of its active involvement in the collaborative search for solutions is not in doubt. The United Nations Human Development index (2006) ranked Nigeria as having one of the worst standards of living below both Haiti and Bangladesh. In the words of Tayler (2006), “For all its oil wealth, and after seven years of governance, by one of Africa’s foremost highly touted democrats, Nigeria has become the largest failed state on earth.” This in itself is an indictment of the I.M.F., because, the period

covered by this Tayler's assessment was the same period during which the Nigerian State embarked on unprecedented I.M.F. induced economic reforms which involved the complete privatization of the nation's public enterprises.

This research found out that the economic reforms under study have failed because they were designed to satisfy an interest that is located not in Nigeria but outside the country, precisely where the reform policies were conceived. The policies were not designed with the interest of the Nigerian people in consideration. Were it not so the Nigerian people would have been involved at the formulation level; but since the policies were not Nigerian-people-oriented, the designers/formulators did not see the need and therefore did not deem it necessary to involve the Nigerians, they even resisted any intervention by any Nigerian. The policies were not people-oriented and so, they were bound to fail and truly they failed.

The research was also able to establish that, notwithstanding the claim to patriotism by the Obasanjo administration in its pursuit of the reform policies, Obasanjo's commitment to institutional reforms was more for him to gain acceptance and faith in the country by the international community than to bring any economic development for the benefit of the Nigerian people. This explains the reason why that even when the policies were achieving the complete opposite of what Nigerians expected and pushing the economy deeper into the doldrums, the Obasanjo Government did not see the need to soft-pedal or even put a halt to the reforms implementation.

The Nigerian economy being neocolonial and dependent on the western capitalist system, there is no way the economy can make any progress by relying on the same countries and institutions that are themselves responsible for the problems being encountered by the Nigerian economy. The International Monetary Fund (I.M.F.) without doubt is one of the instruments that are being used by the Western European countries to ensure

that the economies of Nigeria and other developing countries remain within their exploitative ambits for cheap raw materials and ready markets. They would therefore never allow the developing economies to make any meaningful breakthroughs.

Our findings also indicate that, the I.M.F. reform policies have tended to promote the very elements/factors that have been responsible for the crisis in the nation's economy and this is the reason why the reform policies have always tended to worsen the economic crisis they supposedly set out to address. The reform policies are intended to serve as control mechanism instead of bringing about any economic transformation. This is why in spite of the introduction/implementation of the policies in so many developing countries for such a very long period of time, there has been no single country success story. The table below shows the developing countries that are currently and simultaneously engaged in the privatization policies, the most popular I.M.F. capitalist economic blue print that always turn citizens of any developing country that embraces it into victims of poverty while turning so called core investors into fat cats.

TABLE 8: AFRICAN COUNTRIES INVOLVED IN PRIVATIZATION PROGRAMMES OF THE I.M.F. AND WORLD BANK

S/NO	COUNTRY	LAST YEAR FOR WHICH DATA WAS REPORTED	NO. OF TRANSACTIONS REPORTED
1	Angola	1996	331
2	Benin Republic	1996	46
3	Botswana	1997	30
4	Burkina Faso	1999	40
5	Burundi	1997	42

6	Cameroun	1998	48
7	Cape Verde	2000	46
8	Central Afric. Rep.	1993	35
9	Chad	1996	31
10	Comoros	1995	4
11	Congo Brazzaville	1996	61
12	Congo Kinshasa	1996	21
13	Cote d'voire	2000	105
14	Djibouti	1999	30
15	Equitorial Guinea	1995	3
16	Eritrea	-	-
17	Ethiopia	1998	125
18	Gabon	1997	26
19	Gambia	2000	34
20	Ghana	2000	233
21	Guinea	1998	117
22	Guinea Bisau	1995	29
23	Kenya	1998	188
24	Lesotho	2000	21
25	Liberia	-	-
26	Madagaska	2000	86
27	Malawi	2000	68
28	Mali	1994	65
29	Mauritania	2000	56
30	Mauritius	-	-
31	Mozambique	1997	597
32	Namibia	-	-

33	Niger	1995	34
34	Nigeria	2000	128
35	Rwanda	1996	2
36	Sao Tome & Principe	1995	9
37	Senegal	1999	61
38	Seychelles	-	-
39	Sierra Leone	1997	10
40	Somalia	-	-
41	South Africa	1999	13
42	Sudan	1994	32
43	Swaziland	-	-
44	Tanzania	2000	283
45	Togo	2000	57
46	Uganda	2000	91
47	Zambia	2000	268
48	Zimbabwe	1999	6

Source: World Bank Africa Region Privatization Data base (24th August, 2001).

Our investigation also revealed that in spite of the spirited efforts of the Obasanjo Government to improve power supply through privatization and the injection of huge capital into the sector, by 2007, when Obasanjo completed his two terms of eight years, the power supply capacity had regressively declined from 2.30 megawatts (1999) to 1.8 megawatts (2007). This is in spite of the fact that the sum of well over one trillion naira was spent on power sector within the intervening period supposedly to improve electricity supply in the country. Instead, the money went into private pockets of corrupt public officers.

This scenario does not only explain the failure of the privatization policy of the I.M.F. but has also exposed the very high level of mismanagement, corruption and the elite love for personal aggrandizement. The Nigerian elite who get appointed to positions in the highest echelons of the public service more often than not see and regard such appointments as nothing more than mere invitations "to come and eat". This explains the reason why over three hundred billion naira that was spent to fix the nation's Road network could not yield any good result, to the extent that most of the roads are even in worse positions than the Obasanjo administration met them when they came to power in 1999.

The privatization programme also failed in the area of employment generation as youth unemployment and poverty increased during the period between 1999 and 2007. The several billions of naira were budgeted on poverty alleviation only for much of the money to end up in the pocket of political party loyalists and the very people who were charged with the responsibility of reducing the high level of poverty in the country. The unemployment problem was compounded by the concomitants of privatization such as downsizing of work force (euphemism for retrenchment of workers), closure of industries and state enterprises, and divestment of Government from such state enterprises that were slated for privatization.

The SAP of 1986, which was a forerunner of all other I.M.F. privatization policies and programmes, succeeded in destroying the industrial base or foundation that had been laid sequentially and step by step since Nigeria's independence in 1960 and continued up to 1986. Our findings tally and agree with the contentions of Alexander Egom (2007) who argues inter alia: "SAP killed all the infant industries in the country. The intention of the West was to kill all our industries and thereafter come back to buy them up all. So, these people from the West sell all kinds of economic theories to us in

order to further impoverish us. They killed all our industries and came back later to buy them….".

Our findings also support the hypothesis which states that privatization could lead to job losses and poverty capable of bringing about a boomerang in form of insecurity which could jeopardize national interest. The unemployment problem has compounded the security situation in the country especially the Niger Delta region. Unemployment has driven the youths into very serious crimes thus making lives and property of Nigerians insecure. The Niger Delta problem has become a national embarrassment as more and more expatriates and other prominent persons in the area fall victims to kidnappers, threatening oil production levels and denting the nation's international image. All over the developing world, I.M.F. and World Bank are being associated with economic woes, such as poverty, declining standards of living, unemployment and crimes of all categories.

The Venezuelan President, Hugo Chavez has announced that he would formally pull Venezuela out of the World Bank and the International Monetary Fund (I.M.F.). He said Venezuela would no longer have to go to Washington or to the World Bank nor to any one" (Thisday, 2007:74). Venezuela paid off all its debts to the I.M.F. shortly after Chavez first took over power in 1999. The I.M.F. closed its office in Venezuela in 2004. The President argued that Latin America would be better off without the U.S.-backed World Bank or I.M.F. He blamed the lending policies of the Bretton Woods Institutions for perpetuating poverty in Venezuela and Latin America as a whole. Past Venezuelan Governments have been criticized for entering into structural adjustment agreements with the I.M.F. that were blamed for contributing to hyper inflationary trends and declining economic fortunes of the country and her citizens. In 1989, there were violent protests in Caracas in

response to I.M.F. austerity measures that brought about a rise in the prices of gasoline and public transport fares.

This brings us to another of our very fundamental research posers viz: Does I.M.F. have any link with the on-going globalization process? Our findings have strongly linked the International Monetary Fund (I.M.F.) with the globalization process. Indeed it is the institution and the World Bank that the U.S. and her allies are using to conquer the world economically and subjugate the rest of the world to their economic control and manipulation. Our investigation revealed that this is precisely and essentially what globalization is all about and it remains the basic objective that the process is designed to achieve. The history of capitalism and its development has demonstrated that investment outlets must always be looked for, else, capitalism would in no time come to grief. This is for the singular fact that profit is to capitalism what blood is to the human body, stop the flow and it is dead.

The spread of capitalism, otherwise known as globalization, must always go simultaneously with accelerated search and competition for areas where new investments could be made. It is from this perspective that the phenomenal spread of I.M.F. and World Bank influence in developing countries can best be understood and or appreciated. The I.M.F. pre-loan conditionalities which are usually very stiff and injurious to the economies of the developing countries are meant to make the developing countries more conducive for foreign capital investments. Within the last two decades, what has motivated and propelled this globalization process has been the spread of finance (also known as the globalization of finance). The I.M.F. and World Bank are capitalist agents in search of investment avenues for the huge capital that has accumulated in the developed countries.

The sovereignty of the developing nations has been tampered with as global institutions such as I.M.F., the World Bank and World Trade Organization (WTO) have become the framers and designers of policies that were hitherto under the authority or jurisdiction of the national governments of these developing countries and they are compelled by circumstances to implement such policies. This is the meaning of globalization, a new era of a new system of external domination, not "colonialism" which has negative connotations, but "globalization" which is a highfaluting, attractive, sweet sounding concept that attempts to conceal the intention and objective motive of the process over which the powerful developed countries have absolute control and absolute say. Globalization is the new vogue which must be embraced even at the detriment of being consumed by the raging inferno.

CHAPTER EIGHT

8.00 SUMMARY, CONCLUSION AND RECOMMENDATIONS

8.01 SUMMARY

The most fundamental challenge confronting underdeveloped countries such as Nigeria is the question of economic development. The basis of this challenge is how to improve the living conditions of the people in these formations. The main focus of their political leaders has been on finding ways and means of enhancing productivity which will translate to increased income, better access to education, employment opportunities, access to health care services, clean pipe borne water and a general reduction in poverty. The basis and objective of all governments has been to bring about economic growth and development with the improvement of the people's quality of life as the ultimate goal. It is from this that governments drive their legitimacy and credibility.

It is a paradox that the Nigerian economy and the need for its improvement which has always been the basis and justification for governments and changes in government has not shown any appreciable improvement since independence. The economic problems have instead multiplied over the years in spite of the various efforts and approaches. This is to say that, the task of unraveling the problems of the economic development and resolving same is yet to be attained by the Nigerian state. Regimes after Regimes have continued the search for solutions to the problem. In the process many models have been tried. From the early days of independence through the civil war, then the military rules, the focus has been the economy. At every stage of the Nigerian economic history some external forces have come into play in the resolution of the Nigerian economic question.

Over the years, Nigerian leaders as we have evidently shown in the previous chapters have come to embrace the policies of the Bretton Wood Institutions in their unending search for solutions to the Nation's economic

problems. However, never has nay Nigerian Leader been so committed to the implementation of the economic policies of the I.M.F. as the Obasanjo regime. The commitment of Obasanjo to the implementation of the I.M.F. economic reform policies is such that one would think that Obasanjo was voted into office on the basis of these I.M.F. economic policies. The ruling PDP seems to have adopted the I.M.F. prescriptions as the party's manifesto.

The I.M.F. economic reform policies are encapsulated in a broader framework known as NEEDS (national economic empowerment and Development Strategy). The objective of these policies, which include privatization, commercialization and Banking sector reforms is to bring about economic growth and development. Since 1999, the implementation of those policies has been carried out with a frenzied hysteria. This amidst doubts by the more enlightened segments of the society. It is this total commitment to the I.M.F. policies especially the privatization that prompted us to carry out this research in which we have examined the Bretton Woods Institution and its polices in all their perspectives and ramifications.

In our attempt to properly examine the issues relating to the role of the International Monetary Fund (I.M.F.) in the economies of Developing countries we decided on a topic which when adequately examined, the true role and objectives or intentions of the I.M.F. could be clearly brought out. To this extent, the focus and or topic of the research was defined as "The Role of the I.M.F. in the Economic recovery programmes in Nigeria: The case of privatization 1999 – 2005.

We argued that the choice of the privatization programme in Nigeria from the 1999 to, 2005 was intended to give the research a good focus and by extension doing justice to the area of the research. An additional justification was the fact that privatization represented and still represents one of the most practical manifestations of the I.M.F. intervention in the third world

economies. More over the I.M.F. policy had become the most topical economic issue in the contemporary Economies of the developing countries.

We also gave the various theoretical perspectives of the study in chapter one, which is the introductory chapter. The main thrust of the argument is that the state exists and functions for the good or well being of the people (i.e. its citizens). All policies that are carried out by the state in all spheres of human endeavour are expected to be in the pursuit of this basic objective of meeting the needs and yearnings of the people. We noted that since the end of the 19th century, the role of government within the modern state character had been transformed as a result of the acquisition of more responsibilities and powers to formulate and implement policies.

The research having analysed the current economic issues in the third world countries noted that a neocolonial pattern of policy formulations and execution had become prevalent in the countries under reference. This was attributed to the historical factors that were colonial n character. That the economic crisis which necessitated the I.M.F. intervention were caused by the weak and neocolonial nature of the economies of the third world countries. This is paradoxical because the third world economic crises were themselves caused by the master-servant (un-equal) relationship between these developing countries and the western capitalist countries. This relationship is a derivative of the colonial conquest and subjugation of these third world countries.

The research problem is one of the issue s that was also discussed in the introductory chapter. The problem basically is identified as declining economic fortunes in the face of economic recovery policies and programmes that are designed to accelerate economic growth and development. That these policies have failed because they do not involve the people in their formulation. Economic polices should be people-oriented if they are to

succeed. Any effort to identify the reasons or factors responsible for policy failures in developing countries must be located against the background of the socio-economic characters of these states and their relationships with the metropolitan capital.

A study such as this can only be meaningful and or can only achieve its objectives when it seeks to address some fundamental questions. We therefore, from the onset raised some questions in line with the focus of our research. These posers are also contained in chapter one. For example we raised these questions: To what extent does the I.M.F. influence the perception of third world leaders in decision making and implementation; what economic problem are the I.M.F recovery programmes designed to address and how successful have they been; what interest does the fund seek to protect, defend or pursue; To what extent does the nature of the Nigerian state and structure of the economy affect the application and success of foreign inspired economic recovery programmes such as SAP and the like. Why have such economic policies and prgrammes failed. The objectives of the Research which are basically to examine the dialectics and dynamics of the I.M.F. economic recovery programmes are also outlined in chapter one. We also spelt out the rationale and scope of the study. The rationale basically is to produce up – to date and relevant data to be useful in policy decisions at various levels of government. The research topic unambiguously spelt out and defined the scope of the study.

The ideas used to guide our research were also spelt out in chapter one in form of hypothetical assertions. The hypothesis which is "the relationship between variables is designed to understand better what aspect of the relationship between the variables that the investigator is interested in. these tentative statements are the hypotheses" (Asika, 2002:101).

The chapter also contained the purpose and relevance of study to discussion in literature and policy-making. It was argued hat he negative interest-driven nature of the I.M.F. economic recovery policies need to be exposed while at the same time working out better other result – oriented options. We also spelt out the methodology which was defined as "analytical interpretation of historical and empirical data" (Smith etal, 1976:31).

Data sources were spelt out as interviews, discussions and participation in seminars, workshops: symposia, textbooks, publications of government establishments, handling economic issues and affairs such as BPE, NCP, CBN, SECV, S.E., personal visits to such government Agencies, periodic World Bank and I.M.F. Annual reports, Journals, magazines, News papers, bulletins, monographs, research publications, newsletters, state documentary records, policy statements by high ranking government officials. This also involved a critical review of relevant literature etc. We rounded up chapter one with the synopsis of chapters.

The main thrust of chapter two is the literature review and the theoretical framework. These are very critical to a research of this nature and this formed the kernel of our arguments in the chapter. While literature review exposed us to various works either in our field of study or related areas, theoretical framework is as vital as a road map for the research and without theoretical framework, there can be no clarity in scientific or empirical research, especially in the field of the social sciences. A combination of these two research ingredients served as searchlight which illuminated and guided us from the beginning to the end of this study. The various works we reviewed differed in their approaches but what appeared common to all of them was the fact that, the less developed countries (LDCS) share the same fate in terms of their critical economic, social and political

predicaments. These predicaments were linked to their long-term historical relationship with the western-European capitalist countries.

All the literature we reviewed located the socio-economic and political problems of the third world countries within the framework of their colonial history, which evolved an unequal relationship of exploitation which is still being perpetuated today. We also reviewed some contemporary economic theories of development which we classified into four, namely: The classical theorists such as Adam Smith, Ricardo, Malthus and Mills. Their main thrust is economic growth determinants. For example, the role of agriculture, trade and commerce particularly foreign trade. The economic theorists such as Karl Marx and Marxists who were of the socialist bend shifted focus and attention away from Agriculture. For instance, Karl Marx believed that, "capitalism was a stage in the evolution process, removed from the primitive agricultural economy and moving inexorably towards elimination of private property and class structure…" (Deinis, 1982:127).

We also looked at the distinguished unemployment theory by people like Nurkse who argued that there could be accelerated development through the mobilization of concealed savings in the surplus agricultural labour in social overhead construction" (Nurkse, 1976:120).

The third category is the two-sector model and surplus, otherwise known as dualism. This theory posits that an economy has two major sectors namely, "modern or Advanced sector and traditional sector. It is known as two-sector growth model. The economy is divided into capitalist or advanced sector and a subsistence sector" (Lewis, 1984:30). Then we have the production theory known as induced innovation. This theory is aimed at providing a theory of development within the agricultural sector. Hayami and Ruttan are the co-propounders of this theory which is basically concerned with the role of factor prices in inducing institutional change and

technological change. This theory posits that "the development of agriculture can only be fully understood in the context of the interdependence between agriculture and other sectors of the national economy" (Hayami and ruttan, -1971:18).

In the usual tradition of researches such as this one, we decided for a theoretical framework for the research. After analyzing and critiquing available social sciences' theories such as systems, communications, games, structural, functional, linkage mode and the like, we settled for some of them. we pointed out and demonstrated the lapses of these theories on the basis of which we considered them inadequate and inappropriate for this research. Due to the nature of the topic being examined, we found, "the theories of imperialism" as most appropriate because of their relevance. Imperialism theories can best explain the I.M.F. and World Bank intervention in Nigeria, a country that is itself like any other LDC, a victim of constant imperialist manipulations. This fact was supported by the fact that the Nigerian economy in its historical and contemporary dimensions has been shaped and conditioned by imperialism. The I.M.F. from available empirical evidence "has been proved to be an imperialist organization, defending, protecting and pursuing imperialist interests and policies and breaking new grounds for capitalism to thrive" (Offiong, 190:55).

In our analysis, we considered imperialism as the current phase of neocolonialism which is the weapon that is being used to recolonise the so-called independent countries of the third world. The relevance of imperialism became more glaring when we considered the fact that the current epoch of neocolonialism is being carried out mainly in the economic sphere. The new age Imperialism is very sophisticated using subtle means and or mechanisms for its operations but the imperialists' interest is constant. The interest of imperialism is the spread of capitalism and bringing the entire world under its

control. Some seemingly palatable euphemisms have been evolved and are being used as cover and justifications for submitting to imperialism. All the talk about democratization, globalization, privatization, marketization of economies and opening up economies are nothing more and nothing less than the new era and processes of imperialism otherwise known as neocolonialism.

National policies (including economic, social, cultural and technological spheres), "that were under the jurisdiction of states and people within a country have increasingly come under the influence of international agencies and processes in a process known as globalization being carried out using the world bank and the I.M.F. as instruments" (Khor, 2000:4). This has led to "the erosion of national sovereignty and narrowed the ability of governments and people to make choices from options in economic, social and cultural policies" (Ibid:5). Most developing countries have seen their independent policy-making capacity eroded and adopt policies made by other entities which may on balance be detrimental to the countries concerned" (Ibid:5).

In other words, imperialism theories can best explain the relationship between Nigeria and the western capitalist economies on the one hand and the role of the I.M.F. in Nigeria's economic relations with the west cannot be fully understood outside the historical scope and development of imperialism whose foundation is purely economic.

Without an economic crisis, there could hardly have been any talk of I.M.F. economic recovery policy or programme. We posited under our policy framework for economic recovery that, economic recovery agenda have since assumed prime of place in third world countries because these countries are plagued by economic crises of monumental dimensions. The third world economies are characterized by unemployment, declining industrial capacity

utilization, hyperinflation, poverty, declining value of national currencies and purchasing power of majority of their people, poor investment profile, infrastructural collapse and general low level of life expectancy as a result of diseases, unemployment squalor and poverty. Majority of he people in third world countries live below poverty line of less than one U.S. dollar per day (See appendix).

The International community have since decided that, "structural adjustment is the way to recovery and sustainable development and the leaders of some third world countries who may not agree with the SAP paradigm, have had to go along with it" (Ake, 1996:82).

In chapter three, we traced the history, evolution and development of the economies of the third world. The objective for this is to try to uncover and unveil the real character of the economies and how this has affected their current status. This historical excursion proved very useful as it enabled us to establish that the various economies of the third world are derivatives of colonialism. This colonial character is itself very significant. The economies were still in their low level of development, some of them at subsistence level, when the colonial forces came into play and began to tailor the economies to suit the imperatives of their own economies.

The period when these economies began to transform into real economic entities coincided with the European penetration of these areas. The territories were very important to the Europeans because they were sources of raw materials for industries at home. These territories, because of their importance, were fiercely competed for and shared, while the sharing was characterized by imperialist wars. The division or sharing of the territories affected mostly " the periphery of the world, that is Africa, Asia and Latin America. These territories were shared among Britain, U.S.A., Germany and their European satellites to ensure exclusive access to the

industrial raw materials of the region…" (Gana, in Oni etal:1999:4). These inter-imperialist wars "incorporated the third world economies into the capitalist global system of production and exchange through colonial plunder and subjugation precisely between 1861 and 1960" (Rodney, 1972:80-83).

We were able to establish that, "Europeans took the initiative and went to other parts of the world and to this extent, what was called international trade was nothing and remains nothing but the extension overseas of European interests…" (Ibid:85). We should appreciate the fact that it could not have been otherwise because the Europeans had more sophisticated weapons since they were coming from a more technologically advanced back ground and were propelled by the desire for expansion overseas. With the European penetration of Asia, Africa and the Latin Americas, these less Developed regions became mere extensions to the European capital market. They depended therefore on what Europeans were prepared to buy and sell. This is the scenario even today. The penetration of these third world countries which was kick-started and accelerated by the industrial revolution, in itself "has created certain structural links which are continuously fine-tuning the socio-economic, political, as well as cultural systems and practices and placing them at the beck and call of the metropolitan capitalist-centered countries" (Mohammed, 1979:72).

This historical pattern of relationship served as a determinant for the foreign economic policy. This explains why "over seventy percentage of Nigeria's economic dealings in terms of trade and other bilateral agreements is with the western Bloc" (Gambari, 1980:115). This means that Nigeria's foreign economic relations like any other developing country can hardly be separated from her colonial linkages and experience. Nigeria has since independence been formulating foreign economic policies that place emphasis on close ties with Britain (Nigeria's former colonial masters) and

Britain's allies in the capitalist world such as America, France, Germany etc. this could not have been otherwise since the structure of external economic relations which the colonial powers left behind in the developing countries at independence was predominantly Anglo-European in orientation. These developing countries "were unable to end this client-patron relationship even after independence" (Olusanya and Akindele, 1986:11).

In chapter four, we examined the historical and contemporary perspectives of the International Monetary Fund (I.M.F.) and we were able to establish that the establishment of the Brettonwoods Institution or organization had far-reaching ideological implications for the developing countries. We were also able to establish with facts that, current economic crises bedeviling the third world countries were as a result of the policies and manipulations of the western and European countries using the I.M.F. and the World Bank. We used the role of the Fund as a case study with particular reference to SAP in the 1980s and the on-going reforms that have been on for the past six years without any tangible result. Summarily speaking, chapter four concluded that developing countries, with particular reference to Nigeria, have nothing to show for their romance with the I.M.F. and World Bank but poverty, disease, misery and increasing debts. We also brought out the contradictions inherent in the I.M.F. policies which are themselves responsible for the failures of these programmes and policies. The main issues treated in chapter five were Nigeria's Economic Crisis and External debt. The Nigeria Economic crisis was traced to the early 1980s. We investigated and came up with findings that the seeds of the Nigerian economic crisis were laid at the time the foundation of the post-colonial development path was put in place around 1945. That due to the defective nature of the structure of the Nigerian economy which was bequeathed to the country at independence. It was obvious that sooner than later, the weak

structured economy was bound to experience a crisis of serious dimensions. Many factors precipitated the economic crisis and these were; misuse of the oil boom money through unproductive ventures, such as, importation of unimaginable foreign goods thereby depleting the nation's foreign reserves.

The neglect of Agricultural sector, which used to be the mainstay of the country's economy before the discovery of petroleum in large commercial quantity was bound to create some problems. For instance, "the rise of the oil economy in the 1970s led to the use of petro-dollars for financing the import needs of industry in a context of growing oil exports and declining agricultural output" (Olukoshi, 1993:17). In a nut shell, the economic crisis was caused by the following factors: "lack of financial discipline; huge external debts; over dependence on internal (domestic) and external foreign borrowing; heavy budget deficits; weak balance of payment positions; kick backs and other forms of corruption and indiscipline tendencies, inflation; over invoicing of imports, smuggling; illegal dealings in foreign exchange, forgery, fraud, embezzlement, misuse and abuse of office.

Other factors are: "food scarcity, galloping inflation; closure of factories; unemployment, suffering of majority of the citizens while the leadership wallows in affluences; perversion of electoral processes and damage of the country's international reputation as a nation" (Daily times; 1984;12-13). This crisis is significant because without the economic crisis, the I.M.F. and World Bank perhaps would have found it difficult to openly intervene. The economic crisis forced the Nigerian leaders to seek solutions from where they could find any help. We discovered during our research that an I.M.F. economic solution to economic crisis in any developing country has always tended to compound the problem leading to more crisis. It was the search for solution to the Nigerian economic crisis that got the country entangled in more crisis such as the debts crisis.

We were also able to establish in chapter five that, Nigeria has a total debt of $35 billion (Thirty five billion U.S. dollars while the 36 states have a collective total debt of $7.5 billion (seven-point five billion U.S. dollars (see appendix). This debt trap and its concomitant economic crisis has made it impossible for Nigeria to assert herself in the International community. The Nigerian government has said she can not pay the debts and is campaigning for debt repudiation. The debt question has defied common mathematical logic as the more the debts are paid, the higher the amount because of the mounting exorbitant interest. It was the economic crisis that necessitated Nigeria going into the International capital market in the first instance as she could no more meet her financial obligation both in the domestic and internal spheres. The debt situation is being used as a control mechanism for the subjugation of the developing countries under neocolonialism.

The argument that borrowing brings bout economic growth and development has been proved wrong in Nigeria. Development theorists such as Dike (1989), Chenery and Bruno (1962), Chenery (1963), Mackinon (1964), Fei and Paauw (1965), Adelma (1973), Weiskpof (1972) and Joshi (1970) have argued variously from varied perspectives that, borrowing allows a country to invest and consume beyond the limits of current domestic production and finance capital formation via.: mobilization of domestic savings and tapping savings from capital surplus. They argue that this process leads to rapid growth as it affects the macro-economic stability of the economy. Our research has proved this position wrong as it relates to Nigeria. The findings of this research have shown that instead of contributing to the country's economic development, the money so borrowed was mismanaged and misappropriated by the Nigerian political elite (both the military and civilians) who siphoned the money into private accounts in foreign banks.

The international creditors are principally the World Bank, the International Development Agency (I.D.A) and western countries such as Germany, Italy, Holland, Britain and the United States of America, the World Bank, I.M.F., the I.D.A, W.T.O. and the western countries as we discovered in this study have since the cold war provided the Institutional framework for the penetration of finance capital into the third world economies. This was designed to give the western capitalist countries an advantage over the U.S.S.R. in their competition for long standing markets and investments and to protect their political gains in those countries. The loans were therefore not for altruistic reasons.

The loans which came in form of external finance assistance for development purposes now constitute huge debts what have become a serious aspect of the economic crisis. The amounts of both external and domestic debts have become so burdensome that debt management has become one of the serious businesses of government. A debt management office (DMO) has been established to handle issues relating to debts, loans negotiations and Loans repayment. The DMO is also charged with the responsibility of ascertaining at every particular time the correct amount of both external and domestic debts. It is also the duty of the DMO to establish the genuineness of such loans through verifications with creditors. The latest data on debts showed that Nigeria's total debts today stand at $35 billion foreign debts and N1.287 trillion domestic debts. This is in spite of the payment of $49.8 billion to the creditors between 1980 and 2004" (Oluko, (2005): interview). The debt process has become another means of exploitation of less developed countries by the advanced countries.

Chapter six examined the economic recovery programmes of the I.M.F. in Nigeria. We traced the genesis of the I.M.F. intervention and located, it within the 1980s. The I.M.F. economic recovery programmes only

became necessary following the eruption of Nigeria's economic crisis in the early 1980s. The economic crisis, we were able to establish, "provided the domestic context and rationale for the adoption of an orthodox programme of structural adjustment sponsored by the International Monetary Fund and the World Bank" (Ade, 1990:12). We were also able to discover that, it was the government of Alhaji Shehu Shagari which "approached the I.M.F. for an extended fund facility (EFF) following the beginning of the economic crisis" (Olukoshi 1991:10).

Buhari who believed in thrift and prudence as the strategy for the management of the economic crisis, "agreed with the I.M.F. on the need for fundamental reforms in the Nigerian economy but was unwilling to accept the recommendations of the IM.F. for the devaluation of the Naira, the across-the-board privatization of public enterprises, the Liberalization of trade and the withdrawal of petroleum subsidy" (Olukoshi, 1993:6). The Buhari regime rejected the major conditionality of he I.M.F. arguing that the economic measures were not appropriate for tackling Nigeria's economic problems.

The Babangida coup and Babangida's coming to power marked the earnest beginning of a new phase in the management of Nigeria's economic crisis which had been deepening ever since. By extension, the Babangida regime also marked a new era in the country's romance with the I.M.F. the regime immediately resumed negotiations for an E.F.F. with the I.M.F. which had been suspended following the stalemate between the Buhari regime and the Fund. The Babangida regime was more receptive and accommodating to the I.M.F. intervention with all the fund's conditionalities. The Babangida government invited a public debate on whether the country should accept the loan from the I.M.F or not. Nigerians were unanimous in their rejection of the I.M.F. facility and its conditionalities.

The position taken by Nigerians was set aside by the Babangida regime as all the I.M.F. conditionalities were accepted and embedded in a structural adjustment programme introduced by the I.M.F. This was despite the fact that the conditionalities formed the basis for the rejection of the E.F.F. by Nigerians. With the adoption of the I.M.F. conditionalities the Fund's direct involvement in the management of the Nigeria economic crisis became a fait accompli. The Structural Adjustment Programme "was intended and expected to lay the basis for sustainable non-inflationary economic growth. It was also to lessen the dominance of unproductive investments in the Public sector while at the same time improving the sector's efficiency and intensifying the growth potential of the private sector" (Nelson, 1998:20).

We also analysed privatization from a conceptual and philosophical perspective. Our analysis arrived at the conclusion that the privatization process is capitalist in intent, purpose and objective. We also gave various definitions of the concept. These definitions revolve around "the process of converting from public to private ownership. It is our position that any process or idea that emphasises private initiative as opposed to public initiative in economic management is purely and simply capitalistic. The common feature in all forms of privatization are increased private involvement in one or more of the following areas: Ownership, Management, Finance and Market.

The research then proceeded to specifically examine the Nigeria's privatization programme with special focus on its aims and objectives. We noted that, privatization per se had been at the heart of conditionality clauses attached to loans for the least developed countries from the I.M.F., World Bank, USAID and bilateral donors in the industrialized countries. Our investigation also revealed that, "there was an extensive divestiture of state holding and other forms of privatization in a large number of developing

countries in the 1980s" (Yahaya 1993:17). We also traced the history of initiatives towards government divestiture from public enterprises to 1981, when the Shagari government established a presidential commission on parastatals, to study and consider for adoption this new strategy in economic management.

The efforts of the Shagari administration to put the economy back on track failed, leading to the worsening of the economic crisis, which culminated into the overthrow of the Shagari government in December, 1983. The Buhari regime also made an attempt to revive the economy through the introduction of stringent measures which in addition to some repressive laws, alienated the people, denying the regime of the much-needed support necessary for the survival of the regime and the success of its economic policies. The most fundamental and all-embracing adoption of privatization in Nigeria occurred during the Babangida regime.

The privatization programme, a strategy whose objective was for economic recovery, growth and development was encapsulated in the Structural Adjustment Programme, whose implementation became inevitable in order to win the confidence of western and creditor nations. This was to make possible for the injection of capital into the Nigerian ailing economy. A privatization law had to be enacted to give backing to the sale of the affected public owned enterprises along the lines of those to be privatized fully and those to be partially privatized. On the other hand, the law also stipulated those that were to be fully commercialized and those to be partially commercialized. We also noted that Agencies charged with the responsibility of handling the exercise were also established. (See appendix).

Privatization was intended to address the problem of public enterprises such as inefficiency, mismanagement and waste of pubic funds. The aim was also to bring the Nigerian economy into the mainstream of the global

capitalist system through full integration. Privatization was also meant to save money for reinvestment in other sectors of the economy. This was part of the nation's search for sound economic development and self-sufficiency. With the introduction of the privatization process, the Nigerian stage also hoped to gain the confidence of the International community.

In our examination of the privatization programme as an economic management strategy also in chapter six, we discovered that since Nigeria's independence in 1960, no regime, (civilian or military), had been so preoccupied with western capitalist economic reforms like Obasanjo government. One of the very first policy initiatives in the area of economic reforms was the establishment of a National council on privatization by Obasanjo on 29th July 1999, barely two months after being sworn in as president. This underscored Obasanjo's confidence and believe in privatization as a strategy considered necessary to put the national economy on the path of sustainable growth and development.

We examined also the socio-economic and political dimensions of the privatization programme and came to the conclusion that, some socio-cultural, economic and political natures and characteristics of Nigerian people featured in the privatization exercise thereby undermining its success. The policy adopted a top-bottom approach which failed to involve the people and carry them along. This is typical in underdeveloped formations where the political elite assume the monopoly of wisdom and knowledge and presume that whatever they decide is bound to be accepted by the generality of the people. We contended that there was no way economic democratization through sale of shares of public enterprises could succeed in a country where majority of the people (about 80%) live below the poverty line of less than one U.S. dollar ($1) per day. It was therefore mere wishful thinking for the Nigerian political elite to have embraced the privatization programme as a

strategy claiming to put the country on the path of sustainable economic growth and development.

The reform policies associated with privatization are very harsh and have impacted negatively on the economic status and well being of majority of Nigerians. The research findings indicated that the removal of petroleum subsidy had pushed up prices of not only the petroleum products but, those of other goods and services. This explains the very serious opposition to the privatization exercise by majority of Nigerians. The government has had to contend with a pessimistic public whose support is ironically vital for the success of any public policy. We were able to establish that because of the harsh effect of the policy, coupled with its suspicious nature, the Nigerian privatization programme has not got the type of people-oriented appeal.

The policy is seen by most Nigerians as having been designed to serve only but the interest of foreign powers. The privatization strategy is also perceived by most Nigerians as a ploy designed to share the Nigerian commonwealth among the few privileged elite since they are the only ones who have the where-with-all and therefore being the only people who can afford to pay for the public enterprises that have been put on sale. The exercise is also open to abuse when viewed from the perspective of corruption, which has become endemic in Nigeria's public and private sectors. To this extent, the money realized in the privatization programme had not been properly accounted for while the exercise was characterized by sharp practices.

In chapter seven, we analyzed based on data at our disposal, the privatization exercise as an economic recovery programme or policy in Nigeria. This was done from the perspectives of the legal framework and methodology for the Nigeria privatization programme. The research also went on to bring out in clear terms, the interest-driven nature of the I.M.F.

economic recovery programmes before zeroing in on the various arguments for and against privatization as an economic reform policy in Nigeria.

The findings of the investigation enables us to establish the fact that, the public enterprises that had been privatized and those that were being privatized, were established by law which made them public property legally. It therefore became necessary to promulgate a new law that would provide the legal basis for the transfer of the public enterprises to the private sector. This was done through an act of parliament in 1999. The 1999 law by implication also repealed the decree of 1986 which gave legal backing to the privatization programme of the Babangida Military regime.

8.02 CONCLUSION

It was Lenin (1918) who once said that "as long as Capitalism remains what it is, surplus capital will be utilized not for the purpose of raising the standard of living of the masses of a given country for this would mean a decline in profits for capitalist (owners of surplus capital)…"

Lenin demonstrated a good understanding of the philosophy and operations of the capitalist system by making this statement which turned out to be prophetic as experience has shown that capitalism in all its ramifications is only concerned with making the core capitalist countries more wealthy more developed and in maintaining exploitative relationship through certain policies between the developed and underdeveloped capitalist formations. This relationship has to be maintained and pursued because without it capitalism is doomed.

There is overwhelming empirical evidence for us to conclude that the E.M.F. economic policies are interest-driven and that because they are interest –driven, they can not contribute to the development of the third World economies. The I.M.F. economic reform policies like the Nigerian

privatization programme which we have used as a case study in this research are not design to bring about any economic improvement in the lives of the people of the third world because it is not in the interest of the capitalist west to develop the economies of third world countries as this could be injurious to the over all interest of these Western and European countries whose progress is dependent on the exploitation of the economies of the developing countries.

The I.M.F and World Bank economic reform policies are only meant to keep the third world economies is check for effective exploitation. This is for the fact that we have been able to prove in this study that the I.M.F and World Bank are the very Institutions that are being used for the re-colonization of the third World countries through the globalization process which is the latest euphemism for imperialism. Given the experiences of the third world countries with the I.M.F. and World Bank, any one who believes that the economic reform policies of the Institutions can bring about economic development of any kind in the developing countries is either ignorant, naïve or hypocritical. This assertion anchors on the fact that the policies have never succeeded anywhere since their application started over thirty years ago. This is because they were not designed to succeed in any meaningful way in the first instance. There is no way the interest of the exploiter and the exploited can be the same or lese there is no basis for the relationship of master-servant.

Since the intervention of the I.M.F with their economic reform policies in Nigeria in 1985, the country's economic fortunes have been on the decline. In the words of Seers (1971), "the questions to ask about a country's development are three: what has been happening to poverty? What has been happening to unemployment? What has been happening to inequality? If all these three have declined from higher levels, then beyond doubt, this has

been a period of development for the country concerned". These adverse conditions have been on the increase in Nigeria; poverty has been on the increase, unemployment is the order of the day as factories and industries, Banks and other companies have been closing down and sending their workers into the labour market while at the same time I.M.F. and World Bank have continued to force government to retrench public servants on a constant basis. The gap between the haves and have-nots is increasing daily while the reform policies have increased the number of poor Nigerians who live on less than one U.S. dollar per day, who form majority of the Population.

The poorer nations "are becoming even more impoverished and helpless mainly as a result of the policies of the richer countries and the mercilessness of the creditor nations in their dealings with debtor nations…" (Owoeye, 1993:1). The I.M.F and World Bank take advantage of political situations in developing countries to interfere in the management of the economies of such countries. This is true of the Nigerian situation. The Obasanjo Administration inherited a battered international image in 1999 when it came to power. In order to address this situation Obasanjo embarked on a tour and was able to establish contacts with many nations, leaders and strategic institutions, such as the I.M.F., World Bank, WTO, GATTA and EEC among others.

As a highly indebted country, Nigeria as at 1999 needed the understanding of its creditors also, this was how Obasanjo reached out to the I.M.F. and the World Bank since the backing of the two institutions was necessary and considered as enough guarantee to creditors to give Nigeria a breathing space in the management of its debts. Given Nigeria's precarious political and economic standing as at 1999, Nigeria naïvely thought it was right for the government to seek understanding from all its economic partners and creditors through the I.M.F. and to seek the fund's assistance in

monitoring the country's economic reforms. The Obasanjo government played into the very waiting and ready hands of the I.M.F. the involvement of which has made mockery of Nigeria's sovereignty.

Since I.M.F. has no good intentions for Nigeria and any other third World Country, the fund has taken advantage of the opportunity of Nigeria's invitation, to impose an agenda of its own, such as: cut in wages, constant increase in prices of petroleum products, more devaluation of the Naira, the nations currency, drastic curtailment in public spending in the name of managing inflation, retrenchment of workers from the public service as consequence of a full scale programme of privatization. The I.M.F. has since hijacked the economy.

Nigeria has been intimidated into seeing the cost of not following the I.M.F. economic reforms as no more Loans, no debt forgiveness in the near future while the creditors would become less cooperative. The I.M.F. and World Bank involvement in the management of third World economies is predicated on the need for them to monitor and supervise how their money is being used and not for any need for development as erroneously believed by the poor nations.

Nigerian leaders in particular and leaders of developing countries in general, have idealistic rather than realistic conception and or understanding of the Privatization and other I.M.F. interest driven economic reform policies and programmes vis-à-vis their benefits. Our findings indicate that rather than being a panacea for positive economic reform and recovery, privatization has only succeeded in complicating and compounding the economic problems of Nigeria. More Nigerians have been pauperized than ever before. The standard of living of the average Nigerian has declined from about $200 per day in the 1970s to less than $1 U.S. Dollar per today (One U.S. dollar per day). Rather than reducing poverty, poverty has been increased more than three fold.

Rather than making privatized public corporations efficient and result oriented, privatization has made them centers of corruption, inept, non-performing with escalating prices of goods and services of these privatized companies or corporations.

The I.M.F. through its comments, assessments and tendencies has left no one in doubt as to the interest-driven nature of its economic reform policies. During the Babangida regime, the U.S.A. offered Babangida a prize for what the U.S. Government called "managing the economy well." This was at a time when Nigerians had been pushed to the brinks as a result of the consequences of SAP which had dramatically forced down the value of the national currency, thereby creating inflationary piral with devastating effects on the lives and survival of the people. Performing well in this context means according to the dictates of the U.S.A." (Toyo, 2004, 7). This praise and prize came precisely at the time when the Nigerian Labour Congress and other pressure and human rights groups had embarked on protests and demonstrations against the devastating effects of the SAP programme. These protests had brought all activities to a stand still.

This clearly demonstrates that the interest of the I.M.F. is completely antithetical to the interest of the Nigerian people. The same thing applies to the economic reform policies of the Obasanjo regime. While there is nothing to show in terms of improvement of the economy except increased misery, and poverty arising from the very harsh I.M.F. economic reform policies of the government, the I.M.F and World Bank chieftains have been praising the Obasanjo government to the high heavens for a job well done. For the six years since the reforms started the economy has been worsening as a result of which people are dieing of hunger on a daily basis. Yet the I.M.F. says this is the best thing that has ever happened to Nigeria. In the words of Mr. Rodrigo de Rato, the I.M.F. Managing Director, "the tightening of the budget is good,

the change of expansionist policies is great. We would like to leave the boom bust cycle behind (Rato 2004:17). Nigeria can not develop while relying or depending on the West. If the International donor agencies are interested in the development and welfare of people of the third world, they should leave these countries alone to grow on their own. Nigeria under the Obsanjo administration believes that "the country must follow America's path to greatness. Worst, not only does the Obasanjo government believe there is no alternative to the American way", so far, Nigeria has copied the Americans in the most wasteful, incompetent and corrupt manner. The Obasanjo economic reform programmes which are essentially I.M.F. and World Bank injunctions can never solve Nigeria's problems. They have never solved those of any other country and Nigeria will never be an exception…" (Haruna, 2004;Interview).

Those who point to Asian Tigers as case studies in the success of the I.M.F. and World Bank Reform policies miss the point completely. This is "because they (i.e. Asian Tigers) ignored much of the I.M.F and World Bank advice to cut back on education, on health, on subsidies to their farmers and to sack their workers". (Stiglitz, 2004:20). Stiglitz also denounces I.M.F. and World Bank economic formulae as acure all for every country. It has also been established that both Malaysia and Singapore eliminated poverty in their countries within a generation by challenging the orthodoxies of I.M.F. and World Bank. The path to progress therefore lies not with the I.M.F. and world bank policies towards the third world, but rather in challenging these claims of the imperialist institutions by evolving alternative home grown strategies, using our indigenous experts.

True economic development can only come about through the personal initiatives, efforts, contributions, sacrifices and patriotism of the people of the country or the society concerned. This is to say that countries or societies

develop themselves by themselves and not by outsiders. No outsider no matter how benevolent that outsider may be, will genuinely embark on efforts that will bring about any meaningful development in a country other than his own where his interest is at stake. The situation becomes more glaring when it involves two separate entities one of which benefits from the stagnation or lack of progress of the other such as the relationship between the third world and the west. There is no way the west can allow the third world to develop and this is the reason why the west is always interfering in the affairs of the third world countries so as to further create confusion and compound the economic problems of third world countries for ease of manipulations and exploitation.

The developing economy is dependent and services on a continuous basis, the interest of the foreign powers through this process of dependence. Given this scenario, it is wrong for any third world nation to rely on any foreign interest or country to solve her economic problems. Unless developing countries turn away from this I.M.F. and World Bank dependence and really look inward and address he very important issue of economic independence they will forever continue to grope in the dark in their struggle towards the attainment of economic break through. As Shagari (1980) correctly argued, “we must refuse to subsidize the economies of the rich by continuing to sell cheaply, our raw materials and labour to them (the industrialized nations) in return for their exorbitantly priced manufactured goods” (Shagari, Speech, U.N. 1980).

Given Nigeria’s experiences of the past, there is sufficient empirical evidence to conclude that the country’s worsening economic problems have been due to her close relationship or interaction with the Western Imperialist countries and Europe. This is because those regimes that were either aloof or antagonistic to the West were able to make positive economic impacts on the

lives of the people and the economy in general experienced some improvement in terms of recovery and progress/growth. These regimes were all able to instill a sense of discipline, accountability, probity and patriotism amongst Nigerians.

General Murtala Mohammed with his Africa has come of age fame was able to give the Nigerian people confidence, pride, patriotism and a national ideological focus. This galvanized Nigerians and he was able to mobilize them for national development goals. To demonstrate that the nationalistic posture of his Administration was antithetical and injurious to imperialist interest, Murtala was eliminated by imperialist forces in collaboration with their local agents.

Buhari never encouraged any borrowing from foreign creditors and he maintained a non aligned posture in his regime's dealings with the Western and European countries. Nigeria was already finding her voice and focus when Buhari was overthrown in a palace coup. Soon after the overthrow of Buhari, Nigeria's doors were thrown widely open to the I.M.F., World Bank and other western creditors. The gains made during the Buhari regime were reversed by Babangida's regime who felt that he needed the West for credibility. The I.M.F. and World Bank took over the management of the Nigerian Economy and everything went hare wire. The economy declined and since then things have not been the same again.

Sani Abacha for his five years rule never traveled out even for once. This was to under score his disdain for the West, their economic policies and meddlesomeness in the internal affairs of Nigeria and the third world in general. It was during Abacha's regime that Nigeria was given a pariah status by the West. Abacha also never had anything to do with foreign creditors of whatever hue. However, in spite of this isolation, Abacha was able to stabilize the economy and put the country on the path of economic recovery.

He stabilized the Naira at N82 per $1 (Eighty two Naira, per one U.S. dollar) through out his stay in office.

The coming of Obasanjo in 1999 again threw Nigeria's doors open to the I.M.F. and World Bank and things have not been the same again. The economy has since nose-dived again with majority of people living on les than one U.S. dollar per day. Nigeria has been classified as one of the poorest nations in the World. The Naira now exchanges for N136 per $1 (official rate). Meanwhile, the Obasanjo government is selling the country's strategic parastatals that are critical to the nation's economic development to private concerns and individuals. Inflation runs in four digits, people are daily being pauperized, six years after the introduction of NEEDS (National Economic Empowerment and development Strategy) a policy framework that was designed and expected to turn the National economy around and improve the living conditions of he people.

From available data, we conclude that the less the interference of the I.M.F. and World Bank the higher the possibility of economic recovery, growth and development. On the other hand, the more the involvement of the I.M.F. and World Bank in the internal affairs of any developing country, the more remote the possibility of economic recovery and progress becomes in the country concerned. The experiences of Asian Tigers further strengthened our position. Those Asian tigers were able to make their economic breakthrough only after they had shut their doors against the I.M.F. So, it is fraudulent and insincere for any one to refer to them as the I.M.F success story.

The experiences of Nigeria with the I.M.F. and the World Bank are sufficient ground for us to conclude that if Nigeria is to make any economic break through, the country must have to also turn her back on I.M.F. and World Bank and chart an internally-driven reform programme as alternative

strategy to the imperialist policies that are being propagated by the I.M.F. and World Bank. Nigeria must clearly articulate its economic vision based on a homegrown economic programme which is what the country dearly needs.

Agriculture needs to be modernized and the evolvement of a deliberate policy of specialization in agricultural production based on the principle of comparative advantage and viability. There should be a national policy on technological development. In this process local talents should be hunted for and encouraged. Technological villages should be established in all the Geopolitical zones of the country.

Economic policies must be properly situated within the political structure of the country through the process of inclusiveness in order to carry the people along. This is because, unless people are carried along, they can hardly identify with government programmes, but unless and until people identify with government policies and programmes, such initiatives will not achieve their objectives.

Similarly, too much hard currency should not be committed on the importation of capital equipment and skilled foreign manpower in the name of experts. Nigeria should rather look inwards for her own local experts because no developed country will ever allow her real experts to go to any third world country for the sake of contributing to the development of that country. More over, experience has shown that those so called foreign experts are nothing more than our technicians or road side mechanics here. Nigeria must develop her internal capacity for self-reliance through constant training and retraining.

Nigeria must insist on the review of her debts to identify the genuine ones and the doubtful ones. Nigeria officially borrowed $17 billion, paid $22 billon, and is said to be owing $35 billion. This situation must not be accepted in whatever circumstances.

The informal sector of the economy should be promoted through a deliberate policy of funding through the funding of small-scale enterprises, small trading, artisans etc.

Nigerian Embassies should look for markets for Nigerian goods and investors to come and invest in Nigeria. Competitiveness, discipline and accountability should be encouraged in the system while at the same time, discouraging wasteful consumption.

Patriotism among the people is important. Government Agencies such as National Orientation Agency (NOA) should embark on deliberate Campaigns to create awareness and nationalistic feeling of consciousness in Nigerians. This is important because "it is the people that can actually reform an economy, as economy can not reform the people. It is the people that build roads, bridges, schools, factories and railways rather than the reverse" (Aluko, 2004:10).

Capital flight should be made a serious crime. Nigerians should be encouraged to invest their money in the country rather than taking it abroad as this will discourage foreign investors from coming to invest here. Nigeria's attempt at attracting foreign investors would not yield any dividends if the penchant of the country's citizens for stashing away moneys in foreign banks is not checked. The United Nations industrial Development Organization (UNIDO) in its report released mid 2004 indicated that Nigerians had over $107 billon (One Hundred and Seven Billion U.S. Dollars) stashed away in banks outside Nigeria's shores. The report also showed that Nigerians are poorer today than they were twenty years ago. These are clear indications that the I.M.F. / Word Bank economic reform policies and programmes have failed.

It is interesting for us to note that this UNIDO report covered the period 1999 to 2004, a period during which privatization among other

economic reform policies was embarked upon essentially to attract foreign investors and to improve the economic living conditions of Nigerians. Instead of attracting investors, those who were already doing business in the country have been leaving in droves while other manufacturing companies and industries have been folding up.

Nigeria needs a dedicated and patriotic leadership who are enthusiastic about the development of the country. Government's approach to reforming especially the privatization aspect has been too nebulous and elf-serving to the ruling class and their property class colleagues. This is why it has failed to make any positive impact on the lives of the people.

The Obasanjo privatization programme and its concomitants is "merchantalist, a system that puts premium on short-term activities and which regards the redistribution of the nation's wealth as more important than the production of wealth. The redistribution itself is being confined to a clique that is favoured and depends on the state and exploits the system on which the state depends. The state is therefore no longer the expression of the people" (Aluko, Ibid:20). The reforms have made "Nigeria's real average per head income to decline steadily in the last 18 years from an average of $1,450 per annum in 1980 to about $446 in 2003 thus pushing Nigeria down from the middle income status in 1980 to a world low income status as the 21st poorest nation on earth" (Ibid). We recommend that the various reform packages should be abandoned since they have worsened the economic situation of the country rather than bringing economic recovery or improvement.

The challenges of economic development now confronting Nigeria and the rest of the third world countries will never be surmounted until the last vestiges of colonialism have been swept away. The I.M.F. and World Bank can never bring about economic development in Nigeria and the rest of the

developing countries because their Agenda is not to develop any developing countries for the benefits of the U.S. and the rest of the West and the European countries who own the Bretton Woods Institutions. If the Developing countries are to make any economic breakthrough, they must borrow a leaf from the Asian Tigers who only started to make economic progress when they shut their doors against the I.M.F., the World Bank and their repetitive economic reform policies which had failed the Asian countries. After many trials, the policies have proved ineffective and unreliable.

8.03 RECOMMENDATIONS

It is very clear from our findings and analysis that in spite of the I.M.F involvement in the search for solutions to the Nigerian economic problems, there has been no improvement instead, the problems have worsened over the years. The intensification of the implementation of the I.M.F economic policies by the Obasanjo Government has led to an equal intensification of poverty, disease crime, insecurity and hopelessness on the part of the citizens.

The I.M.F economic policies adopted by the Obasanjo Administration specifically and especially the privatization programme are neocolonial in all ramifications. They are therefore exploitative, enslaving, selfish and can only entrench foreign economic domination in collaboration with local agents of capitalism. This is a threat to sovereignty and national security. As away foreword, we hereby recommend as follows that;

The implementation of I.M.F. policies should be halted immediately and the ones already implemented should be reversed. By this we mean all the public enterprises already sold to groups and individuals through the privatization exercise should be returned to Government. These public enterprises should be commercialized instead, so as to make them profit-

oriented self-sustaining and responsive to National interest and economic development.

The I.M.F should stop meddling with the Nigerian economy since they have failed and proved to be unreliable as they can not genuinely defend or protect the country's national interest.

The Government should diversify the economy through a sustainable programme of Agricultural production and exploitation of other Minerals that the country is blessed with as alternative resources other than petroleum. Government should subsidise Agricultural production for Local farmers.

Agro-allied industries should be established through a deliberate policy based on the principle of comparative advantage. This will reduce the current high rate of unemployment and insecurity in the country.

Democratic/political institutions should be strengthened so as to put in place a process of genuine political engineering and or democratization. This is necessary in order to widen the political space for mass political participation which will in turn provide a level – playing field. This will free the much-needed productive forces and ideas that have been held hostage, intimidated, harassed and rendered helpless. Nigerians should be able to have a say in the election of their representatives and political leaders. We believe that once there is genuine democracy, economic growth will follow.

We recommend also that Nigeria's foreign policy should be redefined and refocused with a view to finding new friends with whom the country can partner on issues of economic development. This is necessary because the country's old friends since independence have proved unreliable, selfish and exploitative. The relationship with Nigeria's traditional allies has brought nothing but economic retardation and backwardness because these so called friends are not interested in the economic progress of Nigeria. Nigeria's National interest is antithetical to that of the western countries who have

pretended to be Nigeria's friends and development partners. Nigeria should explore more economic relations with the Asian countries with whom she has more in common and to consolidate her economic relations/partnership with China and the eastern bloc in general.

We also recommend the introduction of a social welfare and security system to take care of the unemployed and the needy in the society. This will reduce crime and political tension. This social security scheme should be funded with the money accruing from the sale of petroleum products in the international market.

We recommend also that the National Assembly should enact a law that will compel wealthy Nigerians to invest in the local economy. The law should also make tax evasion a crime against the state and to so punish such tax evaders. In other words Nigeria should take her destiny into her hands as nobody from outside will solve her problems for her no matter how benevolent that person or group of persons may claim to be. This is the reality which Nigerians and their leaders must face squarely if the country is to move forward.

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Appendix 1

MAJOR FEATURES OF A NEOCOLONIAL ECONOMY

- Capital Flight.
- Domination of the Economy by Multinational companies.
- Cheap Labour.
- Agricultural raw material as almost the only export.
- Finished foreign industrial goods as imports at usually expensive prices.
- Adoption of foreign political systems.
- Prevalence of foreign Economic models.
- Low industrial production capacity.
- Low level of technology.
- High level of poverty.
- High level of illiteracy.
- High crime and rate (mainly economic and financial in nature).
- A bridged freedom of expression/speech.
- Unpopular economic and labour policies with labour unrests as concomitants.
- High handedness on the part of political leaders.
- Low economic growth and development rates on a continuous basis.
- Very strong links with the former colonial powers that once colonized the economy.
- High rates of corruption especially in the political and economical hierarchies.
- Very low standard of living arising from failed economic policies and double-digit inflation as a consequence.
- Decayed and decaying infrastructures.
- General economic and political instability.

- Unpopular and low performing Governments with low level or lack of credibility.
- Continuous widening gap between the rich and the poor.
- Lack of indigenous economic models and heavy reliance on foreign powers.
- High rate of unemployment.
- Declining value of the national currency.
- Heavy reliance on imported goods, mostly from their former colonial masters.
- Heavy foreign debt burden running into several billions of US dollars.

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Appendix 2

NIGERIA'S DEBT PROFILE: STATE BY STATE:

S/NO	STATE	AMOUNT OF DEBT OWED
1	Abia	$608m
2	Adamawa	$258m
3	Akwa Ibom	$138m
4	Anambra	$120m
5	Bauchi	$88m
6	Bayelsa	$144m
7	Benue	$255m
8	Borno	$139m
9	Cross River	$70m
10	Delta	$133m
11	Ebonyi	$165m
12	Edo	$293m
13	Ekiti	$163m
14	Enugu	$293m
15	Gombe	$99m
16	Imo	$408m
17	Jigawa	$69m
18	Kaduna	$62m
19	Kano	$92m
20	Katsina	$60m
21	Kebbi	$33m
22	Kogi	$341m

23	Kwara	$333m
24	Lagos	$421m
25	Nasarawa	$94m
26	Niger	$443m
27	Ogun	$221m
28	Ondo	$119m
29	Osun	$366m
30	Oyo	$169m
31	Plateau	$504m
32	Rivers	$171m
33	Sokoto	$189m
34	Taraba	$142m
35	Yobe	$42m
36	Zamfara	$25m
	GRAND – TOTAL	**$7.279 Billion**

SOURCE:- Debt Management Office, Abuja, 2004.

Appendix 3

STATEMENT BY PRESIDENT OLUSEGUN OBASANJO ON THE OCCASION OF THE INAUGURATION OF THE NATIONAL COUNCIL OF PRIVATIZATION, PRESIDENTIAL VILLA, ABUJA, THURSDAY, 29TH JULY, 1999.

THE IMPERATIVE OF PRIVATIZATION

Up till recently, there have been many years of exhaustive deliberations by stakeholders on how to put the Nigerian economy on the path of sustainable growth and development. Right now, a consensus has emerged on the imperative of privatization and commercialization of state-own enterprises.

Today's inauguration of the National Council on privatization is, therefore, very significant in several important respects. First, it is a critical step in our Administration's socio-economic agenda. Secondly, it is a demonstration of our commitment to institutional reforms. Thirdly, the response of stakeholders in the months ahead, will enable us determine, with a great measure of accuracy, the extent to which we have gained international faith and confidence in our country in general and in our economy in particular.

It is important to observe that, there was a time when it was considered sound economic policy for Government to establish and invest in statutory corporations and state-owned companies. Socialism existed side by side by side with capitalism. It was argued that public-owned companies were better for stimulating and accelerating national economic development than private capital. The result was proliferation of such steel plants and petro-chemical through banks and hotels to mass transit and abattoirs.

It is estimated that successive Nigerian governments have invested up to 800 billion Naira in public-owned enterprises. Annual returns on this huge investment have been well below 10 percent. These inefficiencies and in many cases huge losses charged against the public treasury with declining revenue and escalating demand for effective and affordable social services, the general public has stepped up its yearning for state-owned enterprises to become more efficient.

State enterprises suffer from fundamental problems of defective capital structure, excessive bureaucratic control or intervention, inappropriate technology, gross incompetence and mismanagement, blatant corruption and crippling complacency which monopoly engenders. Inevitably, these shortcoming take a heavy toll on the national economy.

The problems associated with state-owned enterprises and monopolies are not popular to Nigeria. It is true however, that many developing countries have overcome the problems through a well-designed and single-minded pursuit of privatization programme. The rationale is that privatization permits governments to concentrate resources on their core functions and responsibilities, while enforcing the "rules of the game" so that the markets can work efficiently, with provision of adequate security and basic infrastructures a well as ensuring access to key services like education, health and environmental protection. The objective is to assist in restructuring the public sector in such manner that will affect a new synergy between a learner and more efficient government and revitalized efficient and service-oriented private sector.

In the case of Nigeria, there are overwhelming facts and figures in support of the absolute necessity to realign ourselves with these global trends. There are over 1000 state-owned enterprises in Nigeria. Many of these enterprises gulped billions of Naira without yielding much positive results in terms of customers satisfaction.

It is conservatively estimated that the nation may have lost about 800 million U.S. dollars due to unreliable power supply by NEPA, and another 440 million U.S. dollars through inadequate and inefficient fuel distribution. And figures like this do not even tell the whole story. They cannot, for example, capture the scope of human suffering and even loss of lives caused by shortage of petroleum products. That is not to mention the frustration and debilitation of the informal sector where business centers repair workshops, hair dressing salons, etc depend on steady supply of electricity o function.

We are privatizing for the benefit of our economic recovery and our social life. We are not embarking on this exercise to please the World Bank or the I.M.F. It is not designed to share our national assets to a few rich people. We are not about to by unyielding and uncompromising in the pursuit of the best interest of this country, we want to remove the financial burden, which these enterprises constitute on the public and release resources for the essential functions of government. We want to ensure that many more service providers are brought in to compete and thereby regulate the market for fairer pricing. We want to ensure that these utilities work and deliver quality services. The process will avoid any possibility of further hardship to the public. A vigorous public enlightenment programme will ensure that as may Nigerian as possible will be transparent and guided through out by the best interest of the country and the Nigerian Public.

Privatization is also one of the reforms we have to undertake to integrate our economy into the mainstream of world economic order. There are two inter related aspects to this integration. In the first place, we need the technology; the managerial competence and the capital from the developed world to enhance the performance of utilities and our ability to attract foreign investments. We cannot be talking about creating a conducive environment for foreign investments if the performance of our transport, telecommunication and energy sector remain dismal and epileptic.

The critical issue is how we can carry out a privatization programme that is well designed, properly coordinated and sequenced, credible and widely acceptable. This is where the national Council on privatization has a pivotal role to play. As the apex body on privatization and commercialization, the Council is charged, among other things with the following:

(i) Approve policies on privatization and commercialization;

(ii) Approve guidelines and criteria for valuation of public enterprises for privatization and choice of strategic investors.

(iii) Approve the public enterprises to be privatized and commercialized.

(iv) Approve the prices for shares or assets of the public enterprises to be offered for sale;

(v) Approve the appointment of privatization advisers and consultants, etc.

As you are all aware, we are not starting privatization from the scratch. Some work has been done by previous administrations. There is also a pool of knowledge and experience we can draw on from other countries that have successfully privatized their state-owned enterprises where such previous exercise will promote integrity and transparency of our privatization exercise, they will be adopted and build upon.

As s first step, we will dispose of government equities quoted on the Lagos Stock Exchange, namely, in cement and banks, which are relatively easy to evaluate. In doing so, the absorptive capacity of the market will be closely watched and efforts would be made to encourage core investors to take preferential allocation.

There is no need for payment of non-refundable deposit of 10,000 U.S. dollars, (as recent newspaper advertisement have been indicating), for this particular exercise. When he shares are ready, they will be equitably available for investors who are interested.

For the utility companies, such as NITEL and NEPA, a lot more work would have to be carried out to prepare them for sale. We have secured the support of the World Bank for a comprehensive management and valuation audit of many of these entities. Privatization will only follow after we have established the correct value of these parastatals. The government will not be short changed in this exercise.

The three stages of the programme will be as follows:-

(a) Phase I – (to be completed by December, 1999) include: Commercial and Merchant Banks and cement plants that are already quoted on the Stock Exchange.

(b) Phase II – (to include Hotels and Moto and Vehicles assembly plants);

(c) Phase III – (to include NEPA, NITEL, NAFCON; Nigeria Airways an Petroleum Refineries.

As part of the efforts to ensure transparency, our privatization programme will involve international privatization advisers. This will not only enhance credibility but also guarantee access to special skills and knowledge required for handling the privatization of utilities. It is expected that the international advisers working with Nigeria professionals will help to provide the desired investment climate.

Another group that will involved will be core group investors. These are experienced groups with the capabilities for adding value to an enterprise and making it operate efficiently in the face of international competition. They should also possess the capabilities of turning around the fortune of such unhealthy enterprises. The core groups must not possess the technical know-how in relation to the activities of the enterprises they wish to invest in but also posses the financial capacity to pay competitive price for the enterprise and increase their capital base.

It is now my pleasure to formally inaugurate the National Council on Privatization and to wish the Chairman and members the very best of luck.

SOURCE:- SELECTED SPEECHES OF PRESIDENT OLUSEGUN OBASANJO;
VOL. 1 PP 139 – 142.

PRIVATIZATION AND COMMERCIALIZATION ACT, 1999

SCHEDULES

Acts No. 8

[31st Deceber 1999] Commencement.

Hereby acts as follows:

PART 1

PRIVATIZATION AND COMMERCIALIZATION OF PUBLIC ENTERPRISES

A. PRIVATIZATION

1. - (1) The enterprises listed in Part 1 of the First Schedule to this Acts shall be partially privatized in accordance with the provisions of this Act.

Enterprises to be privatized. First Schedule

(2) The enterprises listed in Part II of the First Schedule to this Acts shall be fully privatized in accordance with the provisions of this Act.

(3) The National Council on privatization (in this Act referred to as "the Council" established under section 8 of this Act may, from time to time, by order published in the Gazette alter, add, delete or amend the provision of the First Schedule to this Act.

2. - (1) Subject to the provisions of section 11 (f) of this Act, an offer for the sale pf the shares of public enterprise shall be by public issue or private placement, as the case may be.

(2) An offer for the sales o shares by public issue to Nigerians may be made at the capital market.

(3) Where the shares of an enterprise are not to be offered for sale by public issue of shares or private placement, the Council may prove that the shares be offered for sales through a willing seller and willing buyer basis or through any other means.

3. -a Without prejudice to the provision of this Act, the Government of the Federation may further divest of its shareholding in the privatized enterprises in accordance with the policy guidelines and decisions issued, from time to time by the Council, so however that the may dispose of the shares or a part thereof to investors through any local or international capital market.

Further dimension of Federal Government's Shares

b A privatized enterprise which requires participation by strategic investors may be managed by the strategic investors as far from the effective date of the privatization on such terms and conditions ad may be agreed upon.

4. – (1) subject to any direction of the Council and without prejudice to the provisions of section 2 of this Act, the shares of the enterprises to be allocated to Nigerians under this Act by public offer shall be in accordance with the provision of subsections (2), (3) and (4) of this section.

Allotment of Shares of Privatized Enterprises

(2) The Shares on offer to Nigerians shall be sold on the basis of equality of states of the Federation and of the residents of the Federal Capital Territory, Abuja.

(3) Not less than 1 percent of the shares to be offered for sale to Nigerians shall be preserved for the staff of the public enterprises to be privatized and the shares shall be in trust by the public enterprises for its employees.

(4) Where there is an over-subscription for the purchase of the shares of privatized enterprise no individual subscriber shall be entitled to hold more then 0.1 percent equity shares in the privatized public enterprise.

B. COMMERCIALIZATION

2- (1) The enterprise listed in part II of the second schedule to this Act shall be partially commercialized in accordance with the provisions of this Act.

Partial and full commercialization. Second Schedule

(2) The enterprise specified in part II of the Second Schedule to this Act shall be full commercialized in accordance with the provisions of this Act.

(3) The Council may, from time to time, by order published in Gazette amend the Second Schedule to this Act so as to alter the category to which any enterprise listed in that Schedule shall be classified.

(4) The Council shall prepare and submit to the Head of State, Commander in Chief of the Armed Forces not letter than 30th June in each year, a report in such form as the Head of State Commander in Chief of the Armed Forces may direct on the privatization and commercialization of public enterprises during the immediately preceding year.

Annual report on privatization and commercialization of public enterprises.

(5) Notwithstanding the provisions of any other enhancement and without prejudice to the generality of section 6 of this Act, a commercialized enterprise shall operate as a purely commercial enterprise and may subject to the general regulatory power of the government of the Federation.

Special provision relating to commercialized enterprises.

(a) Fix the rates, prices and charges for goods and services it provides;
(b) Capitalize its assets;
(c) Borrow money and issue debenture stocks; and
(d) Sue and be sued in its corporate name.

NATIONAL COUNCIL ON PRIVATIZATION

PART II

A. Establishment and Composition, etc

5–(1) There is hereby established the National Council on Privatization (in this Act referred to as "the Council")

Establishment and membership of the National Council on privatization.

(2) The Council shall consist of:-
(a) The Vice President, as Chairman;
(b) The Minister of Finance, as Vice Chairman;
(c) The Attorney General of the Federation and Minister of Justice;
(d) The Minister of Industries
(e) The Minister of National Planning;
(f) The Secretary to the Government of the Federation;
(g) The Governor of the Central Bank of Nigeria;
(h) The Special Adviser to the head of State Commander-in-Chief of the Armed Forces of the economic Affairs;

(i) Four other members to be appointed by the Head of State Commander-in-Chief of the Armed Forces; and

(j) The Director General of the Bureau of Public Enterprises.

(3) Notwithstanding the provisions of subsection (2) of this section, the Council may co-opt the supervising Minister of an affected public enterprise to attend relevant meetings of the Council.

(4) The supplementary provisions contained in the Third Schedule to this Act shall have effect with respect to the proceedings of the Council and the other subject to the provisions if this Act, a member of the Council, other than an ex-officio member.

Tenure of office of members of the Council

(a) Shall hold office for a term of four years in the first instance and may be re-appointed for a further term of four years and no more; and

(b) On such terms and conditions as may be specified in his letter of appointment.

B. **Functions and Powers of the Council**

11. The functions and powers of the Council are to:-

(a) Determine the political, economic and social objectives of privatization and commercialization of public enterprises.

Functions and powers of the Council

(b) Approve policies on privatization and commercialization;

(c) Approve guidelines and criteria for valuation of public enterprise for privatization and choice of strategic investors;

(d) Approve public enterprises to be privatized or commercialized;

(e) Approve the legal and regulatory framework for the public enterprises to be privatized;

(f) Determine whether the shares of a listed public enterprises should be by public or private issue or otherwise and advise the Government of the Federation accordingly.

(g) Determine the time and when a public enterprise is to be privatized;

(h) Approve the prices for shares or assets of the public enterprise to be offered for sale.

(i) Review from time to time, the socio-economic effect of the programme of privatization and commercialization and decide on appropriate remedies;

(j) Approve the appointment of privatization advisers and consultants and their remuneration;

(k) Appoint as and when necessary committees comprising persons from private and public sector with requisite technical competence to advice on the privatization or commercialization of specific public enterprises;

(l) Approve the budget of the Bureau;

(m) Approve the budget of the Bureau

(n) Supervise the activities of the Bureau and issue directions on the implementation of the privatization and commercialization programme;

(o) Receive and consider; for approval, the audited account of the Bureau;

(p) Submit to the Head of State, Commander-in-Chief of the Armed Forces in each year a report on the activities of the Council and the Bureau;

(q) Receive regular and periodic reports from the Bureau on programme implementation and give appropriate directions; and

(r) Perform such other functions as may, from time to time be necessary to achieve its objectives.

Appendix 4

PART III
BUREAU OF PUBLIC ENTERPRISES

12-(1) There is hereby established a body to be known as the Bureau of Public enterprises (in this Act referred to as "the Bureau").

Establishment of the Bureau of Public Enterprise.

(2) The Bureau shall be a body corporate with perpetual succession and common seal and may sue and be sued in its corporate name.

B. **Functions of the Bureau:**

13-(1) The functions of the Bureau with respect to privatization are to:-

Function: Privatization.

(a) Implement the Council's policy on privatization;

(b) Prepare public enterprises approved by the Council for privatization;

(c) Advise the Council on further public enterprises that may be privatized.

(d) Advise Council on the capital restructuring needs of the public enterprises to be privatized;

(e) Carryout all activities required for the successful issue of shares and sale of the public enterprises to be privatized.

(f) Make recommendations to the Council on the appointment of consultants advisers, investment bankers, issuing houses, stock brokers, solicitors, trustees, accountants and other professional required for the purpose of privatization;

(g) Advise the Council on the allotment pattern for the sale of the shares of the public enterprises set out for privatization;

(h) Oversee the actual sale of shares of the public enterprises to be privatized, by the issuing houses, in accordance with the guidelines approved from time to time, by the Council;

(i) Ensure the success of the privatization exercise taking into account the need for balance and meaningful participation by Nigerians and for foreigners in accordance with the relevant laws of Nigeria and

(j) Perform such function with respect to privatization as the Council may, from time to time, assign to it.

14. The function of the Bureau in respect of commercialization are to:-

(a) Implement the Council's policy on commercialization;

Functions: Commercialization

(b) Prepare public enterprise by the Council for commercialization;

(c) Advise the Council on further public enterprises that may be commercialized;

(d) Ensure the updating of the account of all commercialized enterprises to ensure financial discipline;

(e) Ensure the success of the commercialization exercise and monitor, on a continuous basis for such period as may by considered necessary, the operation of the public enterprises after commercialization;

(f) Review the objectives for which public enterprises were established in order to ensure that they adapt to the changing needs of the economy;

(g) Ensure that public enterprises are managed in accordance with sound commercial principles and prudent financial practices;

(h) Interface with the public enterprise, together with the supervising minister, in order to ensure effective monitoring and safeguarding of the public enterprises' managerial autonomy;

(i) Ensure that the Board and Management of each commercialized enterprise and the Government of the Federation, keep to the terms and conditions of the Performance Agreements, if any between the public enterprise concerned and the Government of the Federation;

(j) Maintain and review on a continuous basis, any performance agreement between a public enterprise and the Government of the Federation;

(k) Elevate and recommend to the Council whether or not the public enterprise is eligible for funding through grants, loans, subventions or equity;

(l) Perform such functions with respect to commercialization as the council may, from time to time, assign to it.

15. The Bureau shall:-

(a) Provide secretariat support to the council; and

Other functions of the Bureau

(b) Carryout such other duties and responsibilities as may be assigned to it from time to time by the Council.

16. The Bureau shall, subject to the overall supervision of the Council, have power to:-

Powers of the Bureau

(a) Acquire, hold and manage movable and immovable property;

(b) Enter into contracts or partnerships with any company, firm or person which in its opinion will facilitate the discharge of its functions;

(c) Request for and obtain from any public enterprise statistical and other information including report, memoranda and audited accounts and other information relevant to its functions under this Act; and

(d) Liaise with relevant bodies or institutions under this Decree.

D – Staff Of The Bureau

17-(1) There shall be appointed for the Bureau, a Director-General who shall:-

Appointment of the Director-General and other staff.

(a) Be appointed by the Head of State, Commander-in-Chief of the Armed Forces on the recommendation of the Chairman of the Council; and

(b) Not be below the rank of Permanent Secretary in the Civil Service of then Federation.

(2) The Director-General shall be the chief executive of the Bureau and the Secretary to the Council and shall hold office -

(a) For a period of 4 years in the first instance and may be reappointed for a further period of 4 years; and

(b) On such terms and conditions as may be specified in his letter of appointment.

(3) There shall be for the Bureau a management committee comprising the Director-General and department heads who shall be responsible for the implementation of the policies of the Council and the day to day administration of the Bureau.

(4) The Bureau may appoint such number of other person to be employees of the Bureau in the performance of its functions under this Act.

(5) Notwithstanding the provisions of subsection (4) of this section employees of the bureau may be appointed by way of transfer or secondment from any of the public services of the Federation.

18–(1) It is hereby declared that services in the Bureau shall be an approved service for purpose of the Pension Act and accordingly employee of the Bureau shall, in respect of their services be entitled to pensions, gratuities and other retirement benefits as are enjoyed by persons holding equivalent grades in the civil service of the Federation.

Pension Act Cap. 346 LFN

(2) Notwithstanding the provisions of subsection (1) of this section nothing in this Act shall prevent the appointment of a person to any office on terms, which preclude the grant of a pension and gratuity in respect of that office.

(3) For the purpose of the application of the provisions of the pensions Act, any power exercisable thereunder by the Minister or other authority of the Government of the Federation, other than the power to make regulations under section 23 thereof, is hereby vested in and shall be exercisable by the Council and not by any other authority.

E – Financial Provisions

19-(1) There is hereby established in the Central Bank of Nigeria an account to be known as the Privatization Proceeds Account into which shall be paid all proceeds received from the privatization of public enterprises before and after the commencement of this Act.

Establishment of Privatization Proceeds Account.

(2) The funds in the account established under section (1) of this section shall be utilized for such purposes as may be determined by the government of the Federation from time to time.

20-(1) The Bureau shall establish and maintain a fund, to be approved by the Council from which shall be defrayed all expenditures incurred by it.

Fund of the Bureau.

(2) There shall be paid and credited to the establishment pursuant to subsection (1) of this section -

(a) The annual subvention received from the Government of the Federation;

(b) Such money as may, from time to time, be lent, deposited with or granted to the Bureau by the Government of the Federation, of a state or Local Government;

(c) All subvention fees and charges for services renders or publications made by the Bureau; and

(d) All other assets which may, from time to time, accrue to the Bureau.

(3) The fund shall be managed in accordance with rules made by the Council and without prejudice to the generality of the power to make rules under this subsection; the rules shall in particular contain provision –

(a) Specify the manner in which assets or the fund of the Bureau are to be held and regulating the market of payment into and out of the fund; and

(b) Requiring the keeping of proper accounts and records for the purpose of the fund in such form as may be specified in the rules.

(4) The Bureau may, from time to time, apply the proceeds of the fund established in pursuance of subsection (2) of this section for the following purposes:-

(a) The cost of administration of the Bureau;

(b) The reimbursement of members of the Council or any committee set up by the Council for such expenses as may be authorized by the Council, and where they exist in accordance with the rates approved by the Government of the Federation.

(c) The payment of salaries, fees and other remuneration, allowances, pensions and gratuities payable to members of the Council employees of the Bureau or experts or professionals appointed by the Bureau

(d) The maintenance of any property acquired or vested in the Bureau; and

(e) Any matter connected with all or any of the functions of the Bureau under this Act.

21-(1) The Bureau shall not later than 31st of October in each year, submit to the Council an estimate of its expenditure and income during the next succeeding year.

Estimates of expenditure and income

(2) The Bureau shall cause the next surplus of receipts and payments made to it in every year to be paid to the Government of the Federation.

22-(1) The Bureau shall keep proper accounts and records of its receipts, payments, assets and liabilities and shall in respect of each year prepare a statement of account in such form as the Council may direct.

Accounts and audit.

(2) The Bureau shall within 6 months after the end of the financial year to which the accounts relate, cause the accounts to be audited by auditors appointed from the list and in accordance with guidelines supplied by the Auditors-General of the Federation.

Appendix 4

PART IV
LEGAL PROCEEDINGS

23-(1) subject to the provision of this Act, the provisions of the public officer protection Act shall apply in relation to any suit instituted against any officer or employee of the Bureau.

Limitation of suits against the Bureau, etc Cap 379 LFN

(2) Notwithstanding anything contained in any other law or enactment, no suit shall lie against any member of the Council, the Director-General or any other officer or employee of the Bureau for any act done in pursuance or execution of this Act or any other law or enactment, or of any public duty or

(3) Authority or in respect of any alleged neglect or default in the execution of this Act or such law or enactment, duty or authority, shall lie or be instituted in any court unless;

(a) It is commenced within three months next after the act, neglect or default complained of; or

(b) In the case of a continuation of damage or injury, within six months next after the ceasing thereof.

(4) No suit shall be commenced against a member of the Council, Director-General, officer or employee of the Bureau before the expiration of a period of one month after written notice of intention to commence the suit shall have been served upon the Bureau by the intending plaintiff or his agent.

(5) The notice referred to in subsection (3) of this section shall clearly and place of abode of the intending plaintiff and the relief which he claims

24. A notice, summons or other document required or authorized to be served upon the Bureau under the provision of this Act of any other law or enactment may be served by delivering it to the Director-General or by sending it by registered post and addressed to the Director-General at the principal office of the Bureau.

Services of documents.

25-(1) In any action or suit against the Bureau, no execution or attachment of process in the nature thereof shall be issued against the Bureau.

Restriction of execution against property of the Bureau.

(2) Any sum of money which may by the judgement of any direction given by court where notice of appeal of the said judgement has been given, be paid from the general reserve fund of the Bureau.

26. A member of the Council, the Director-General, any officer or employee of the Bureau shall be indemnified out of the assets of the Bureau against any proceeding, whether civil or criminal, in which judgement is given in his favour, or in which he is acquitted, if any such proceeding is brought against him in his capacity as a member of the Council, the Director-General, Officer or employee of the Bureau.

Indemnity of the officer.

Appendix 4

PART V

PUBLIC ENTERPRISES ARBITRATION PANEL, ETC.

27-(1) There is hereby established under this Act an Ad-hoc body to be known as the Public Enterprise Arbitration Panel (in this Act referred to as "the Panel") which shall be responsible for effecting prompt settlement of any dispute arising between an enterprise and the Council or the Bureau.

(2) The Panel shall consist of five persons who shall be persons of proven integrity one of whom shall be the Chairman.

(3) The members of the Panel shall be paid such remuneration and allowances as may be determined by the Government of the Federation.

(4) The Council shall appoint the members of the Panel on such term and conditions as it may deem fit.

28-(1) The Panel shall have power to arbitrate:-

Power of the Panel

(a) In any dispute raising questions as to the interpretation of any of the provisions of the Performance Agreement; or

(b) In any dispute of the performance or non-performance by any enterprise of its undertakings under a Performance Agreement.

(2) A dispute on the performance or non-performance by any of the parties to the Performance Agreement shall, in the case of a commercialized enterprise, lie to that Panel proving that such reference may be made after all reasonable efforts to solve the dispute have been made and have not been proved.

(3) The ruling of the Panel shall be binding on the parties and no appeal shall lie from a decision of the Panel to any Court of low tribunal.

29-(1) Subject to this section and section 27 of the interpretation Act, the Panel, may make standing orders regulating its proceedings.

Proceeding of the Cap. 192 LFN

(2) The Chairman of the Panel shall preside at every session of the Panel.

(3) The quorum at any session of the Panel shall be the Chairman and two other members.

30. The provisions of the Arbitration and Conciliation Act 1988 or any other enactment or law relating to arbitration shall be applicable to any matter which is the subject of arbitration under this Act.

Other arbitration laws not applicable. 1988 No. 11

PART IV MISCELLANEOUS

31- The Council may make regulations generally for the purpose of giving effect to the provisions of this Act.

Regulations.

32. The Bureau of Public Enterprise Act 1993 is here repealed.

Repeal of 1993 No. 78

33-(1) The statutory functions, rights, interests, obligations and liabilities of the Bureau, existing before the commencement of this Act under any contract or instrument, or in law or in equity shall, by virtue of this Act, be deem to have been assigned to and vested in the Bureau established by this Act, savings, etc.

(2) Any such contract or instrument as is mentioned in subsection (1) of this section, shall be of the same force and effect against or in favour of the Bureau established by this Act and shall be enforceable as fully and effectively as if instead of the Bureau existing before the commencement of this Act, the Bureau established by this Act has been named therein or had been a party thereto.

(3) The Bureau established by this Act shall be subject to all the obligations and liabilities to which the Bureau existing before the commencement of and all other persons shall have same rights, powers and remedies against the Bureau established by this Act as they had against the Bureau existing before the commencement of this Act.

(4) Any proceeding cause of action of action pending or existing immediately before the commencement of this Act in respect of any right, interest, obligation or liability of the Bureau existing before the commencement of this Act may be continued or as the case may be commended and any determination of a court of law, tribunal or other authority or person may be enforced by or against the Bureau established by this Act to the same extend that such proceeding or cause of action or determination might have been continued, commended or enforced by or against the Bureau existing before the commencement of this Act.

(5) All assets, funds, resource and other movable or immovable property which immediately before the commencement of this Act, were vested in the Bureau existing before the commencement of this Act shall by virtue of this Act and without further assurance, be vested in the Bureau established by this Act.

(6) Any person who immediately before the coming into force of this Act is the holder of any office in the Bureau existing before the commencement of this

Act shall, on the commencement of this Act, continue in office and be deemed to have appointment to this office by the Bureau established by this Act unless the authority by which the person was appointed terminates the appointment.

34- In this Act, unless the context otherwise provides:-

Interpretation.

"Bureau" means the Bureau of Public enterprises established by section 11 of this Act;

"Council" means the National Council on Privatization established under section 8 of this Act;

"Nigerians" for the purpose of this Act means citizens of Nigeria and companies incorporated in Nigeria whose shares are wholly owned by citizens of Nigeria;

"Panel" means the Public Enterprise Arbitration panel established by section 26 of this Act;

"Public Enterprise" means any corporation, board, company or parastatals established by or under any enactment in which the Government of the Federation, a Ministry, or Extra-Ministerial Department, or Agency has ownership, or equity interest and includes a partnership, joint venture or any other form of business arrangement of organization;

"Strategy Investor" means a reputable core investor or group of investors having the requisite technical expertise, the managerial experience and the financial capacity to effectively contribute to the management of the enterprise to be privatized.

35- This Act may be cited as the Public Enterprise (Privatization and Commercialization) Act 1999 and shall be deemed to have come into force on 1st December, 1998.

Appendix 4

SCHEDULES

FIRST SCHEDULE

Section (1)

PART 1

ENTERPRISES IN WHICH EQUITY HELD SHALL BE PARTIALLY PRIVATIZED

TELECOMMUNICATION SECTOR	Maximum Strategic Investor participation as a percentage after privatization	Maximum Federal Government Parastatal as percentage after privatization	Nigeria Individual participation as percentage after privatization
1. Nigeria telecommunication Plc	40%	40%	20%
2. Nigeria Mobile Telecommunication Ltd	40%	40%	20%
ELECTRICITY SECTOR			
1. National Electric Power Authority	40%	40%	20%
PETROLEUM/OIL SECTOR			
1. Port-Harcourt Refinery (i)	40%	40%	20%
2. Port-Harcourt Refinery (ii)	40%	40%	20%
3. Kaduna Refinery and Petro-Chemicals	40%	40%	20%
4. Warri Refinery and Petro-Chemicals	40%	40%	20%
5. Element Petri-Chemicals Company Ltd	40%	40%	20%
6. Pipelines Production and Marketing Company Ltd	40%	40%	20%

Appendix 4

ENTERPRISES	Maximum Strategic Investor participation as a percentage after privatization	Maximum Federal Government Parastatal as percentage after privatization	Nigeria Individual participation as percentage after privatization
MINING AND SOLID MINERALS SECTOR			
1. Nigeria Coal Corporation and Subsidiary	40%	40%	20%
2. Nigeria Mining Corporation and Subsidiary	40%	40%	20%
3. Nigeria Uranium Company Limited	40%	40%	20%
4. Nigeria Iron-ore Mining	40%	40%	20%
MEDIA COMPANIES			
1. Daily Times of Nigeria Plc and Subsidiary	40%	40%	20%
2. New Nigeria Newspaper Limited	40%	40%	20%
INSURANCE COMPANIES			
1. NICON Insurance Company Plc	40%	40%	20%
2. Nigeria Reinsurance Plc	40%	40%	20%
TRANSPORT AND AVIATION COMPANIES			
1. Federal Airports Authority of Nigeria	40%	40%	20%
2. Nigerdock Limited	40%	40%	20%
3. Nigeria Airways Limited	40%	40%	20%

Appendix 4

ENTERPRISES	Maximum Strategic Investor participation as a percentage after privatization	Maximum Federal Government Parastatal as percentage after privatization	Nigeria Individual participation as percentage after privatization
PAPER COMPANIES			
1. Nigerian National Paper Manufacturing Company Limited, Iwopin	40%	40%	20%
2. Nigerian Newsprint Manufacturing Company Limited, Oku Iboskun	40%	40%	20%
3. Nigerian Paper Mills	40%	40%	20%
SUGAR COMPANIES			
1. Sunti Sugar Company Limited	40%	40%	20%
2. Lafiaji Sugar Company Limited	40%	40%	20%
3. Nigeria Sugar Company Bacita	40%	40%	20%

Appendix 4

FIRST SCHEDULE

Section (1)

PART II

ENTERPRISES IN WHICH EQUITY HELD SHALL BE FULLY PRIVATIZED

INFRASTRUCTURE UTILITY COMPANIES	Federal Government Ownership	Post Privatization Federal Government Ownership
1. Unipertol	40%	Nil
2. National Oil and Chemical Company Limited	40%	Nil
3. African Petroleum Plc	40%	Nil
CEMENT COMPANIES		
1. Ashaka Cement Company Plc	30%	Nil
2. Benue Cement Company Plc	30%	Nil
3. Northern Nigerian Cement Company Plc	30%	Nil
4. Nigeria Cement Company Limited Nkalagu	10%	Nil
5. Calabar Cement Company Limited	40%	Nil
6. West African Portland Cement Plc	27%	Nil
COMMERCIAL AND MERCHANT BANKS		
1. Afribank Nigeria Plc		Nil
2. Assurance Bank Plc		Nil

3.	FSB International Bank Plc	Nil
4.	International Merchant Bank Plc	Nil
5.	Nal Merchant Bank Plc	Nil

Appendix 4

AGRO ALLIED COMPANIES

1.	Ayip-Eku Oil Palm Company Plc	25%	Nil
2.	Opobo Boat Yard	25%	Nil
3.	Nigerian Romania Wood Industries Ltd	25%	Nil

MOTOR VEHICLE AND TRUCK

ASSEMBLING COMPANIES

1.	Anambra Motor Manufacturing Company Ltd	35%	Nil
2.	Leyland Nigeria Limited	35%	Nil
3.	Nigeria Truck Manufacturing Company Ltd	35%	Nil
4.	Peugeot Automobile of Nigeria Limited	35%	Nil
5.	Volkswagen of Nigeria Limited	35%	Nil
6.	Steyr Nigeria Limited	35%	Nil

HOTELS

1.	Nigeria Hotels Limited	47%	Nil
2.	Festac 77 Plc	100%	Nil

SECOND SCHEDULE

Section 6(1)

PART I

PARTIAL COMMERCIALIZATION

1. Nigerian Railway Corporation
2. Cross River Basin Development Authority
3. Hadejia-Jama'are River Basin Development Authority
4. Lower Benue River Basin Development Authority
5. Nigeria River Basin Development Authority
6. Ogun – Osun River Basin Development Authority
7. Upper Benue River Basin Development Authority
8. Sokoto Rima River Basin Development Authority
9. Anambra-Imo River Basin Development Authority
10. Benin Owena River Basin Development Authority
11. Chad River Basin Development Authority
12. Kainji Lake National Park
13. Federal Radio Corporation of Nigeria
14. National Television Authority
15. News Agency of Nigeria
16. Nigeria Film Corporation
17. Nigerian Postal Service (NIPOST)
18. Old Oyo National Park
19. Gashaka Gumi National Park

20. Chad Basin National Park
21. Yankari National Park
22. Cross River National Park
23. Niger Delta Basin Authority
24. Niger Delta Development Authority

SECOND SCHEDULE

Section 6(2)

PART I

FULL COMMERCIALIZATION

1. Nigerian National Petroleum Corporation
2. Tafawa Balewa Square Management Committee
3. Nigerian Ports Authority
4. Federal Mortgage Bank of Nigeria
5. Nigerian Industrial Development Bank Limited
6. Nigerian Bank for Commerce and Industry Limited
7. Federal Mortgage Finance Company Limited
8. Federal Housing Authority
9. Nigerian Social Insurance Trust Fund

THIRD SCHEDULE

Section 9(4)

SUPPLEMENTARY PROVISIONS RELATING TO THE COUNCIL

Proceedings of the Council

1- (1) Subject to this Act and section 27 of the International Act, the Council may make standing orders regulating its proceedings or those of any of its committees.

Cap 192 LFN

(2) The quorum of the Council shall be five members and the quorum of any committee of the Council shall be determined by the Council.

2- (1) The Council shall meet not less than four times in each year and subject thereto, the council shall meet whenever it is summoned by the Chairman; and if the Chairman ism required to do so by notice given to him by not less than three other members, he shall summon a meeting of the Council to be held within fourteen days from the date on which the notice is given.

(2) At any meeting of the Chairman shall preside but if he is absent, the Vice Chairman shall preside at that meeting.

(3) If the Vice Chairman is absent, the members present at the meeting shall appoint one of their members to preside at that meeting.

(4) Where the Council desires to obtain the advice of any person on a particular matter, the Council may co-opt it to the Council for such period as it thinks fit; but a person who is in attendance by virtue of this sub-paragraph shall not be entitled to vote at any meeting of the Council and shall not count towards a quorum.

Committees

3- (1) The Council may appoint one or more committees to carryout, on behalf of the Council, such of its function as the Council may determine

(2) A Committee appointed under this paragraph shall consist of such number of persons (not necessary members of the Council) as may be determined by the Council; and a person other than a member of the Council shall hold office on the committee in accordance with the terms of his appointment.

(3) A decision of a committee of the Council shall be of no effect until it is confirmed by the Chairman.

4- (1) The fixing of the seal of the Bureau shall be authorized by the signature of the Chairman, the Director-General or of any other person authorized generally or specifically to act for that purpose by the Council.

(2) Any contract or instrument which, if made or executed by a person not being a body corporate, would not be required to be under seal may be made or execute on behalf of the Bureau by the Chairman, Director-General or any person generally or specifically authorized to act for that purpose by the Council.

(3) Any document purporting to be a document dully executed under the seal of the Bureau shall be received in evidence and shall unless and until the contrary is proved, be presumed to be so executed.

5- The validity of any proceeding of the Council or of a committee thereof shall not be adversely affected by any vacancy in the membership of the Council or Committee, or bye any defect in the appointment of a member of the Council or of a committee, or by reason that a person not entitled to do so took part in the proceedings of the Council or Committee.

Made at Abuja this 10th day of May, 1999.

Appendix 5

BLUE PRINT OF NIGERIAN PRIVATIZATION AND COMMERCIALIZATION PROGRAMME.

In his Executive order dated 6th July, 1999 His Excellency President Olusegun Obasanjo directed that the three-phased implementation of the Second Privatization Programme of the Federal Government of Nigeria starts immediately.

The phases were:-

I. Full Divesture of Federal Government shares in Oil marketing Companies, Banks and Cement Plants – a total of 14 Companies, most of which are already quoted on the Lagos Stock Exchange.

II. Full Divesture of Federal Government ownership in Hotels, Vehicle Assembling Plants and other; industrial enterprises operating in competitive markets.

III. Partial Divesture of Federal Government interest in major public enterprises currently operating in non-competitive sectors like Electric Power, Telecommunications, Oil and Gas and the like.

The National Council on Privatization (NCP of Council) under the Chairmanship of Vice President Atiku Abubakar was inaugurated and tasked with timely supervision of the programme in a transparent manner. The Bureau of Public Enterprises (BPE) is accountable to the Council for implementation of the programme under general policy oversight and other directions of Council.

Appendix 5

OBJECTIVES OF THE NIGERIAN PRIVATIZATION AND COMMERCIALIZATION PROGRAMME.

The primary goal of the privatization and commercialization programme is to make the private sector the leading engine of growth of Nigeria economy. The government intends to use the privatization programme to reintegrate Nigeria back into the global economy, as a platform to attract foreign direct investment in an open, fair and transparent manner.

i) To send a clear message to the local and international community that a new transparent Nigeria is now open for business.

ii) To restructure and rationalize To restructure and rationalize the public sector in order to substantially reduce the dominance of unproductive government investment in the sector.

iii) To change the orientation of all public enterprises engaged in economic activities towards a new horizon of performance improvement, viability and overall efficiency.

iv) To raise funds for financing socially-oriented programme such areas as poverty eradication, health, education and infrastructure;

v) To ensure positive returns on public sector investments in commercialized enterprises, through more efficient private sector-oriented management;

vi) To check the present absolute dependence on the Treasury for funding by otherwise commercially oriented parastatals and so, encourage their approach to the Nigerian and international capital market to meet their funding needs;

vii) To initiate the process of gradual cession of the private sector of public enterprises which are better operated by the private sector;

viii) To create jobs, acquire new knowledge, skills and technology, and expose Nigerian to international competition.

Appendix 5

IMPLEMENTATION PRIVATIZATION PROGRAMME:

The current privatization programme envisages the full or partial divestment of interest in over 60 public enterprises in which the Federal Government owns minority or controlling interest. These enterprises, which are scheduled in the Public Enterprises (Privatization and Commercialization) Act No. 28 of 1999 are reproduced below:-

AGRICULTURE

NO	PARASTATALS	ENABLING ACT	PRIVATIZATION/ COMMERCIALIZATION
1	National Parks Board	Act 36 of 1991	Commercialization
2	Ore-Irele Oil Palm Co. Ltd	Limited Liability	Commercialization
3	Ihechiowa Oil Palm Co. Ltd	Limited Liability	Commercialization
4	Ayip Eku Oil Palm Co., Ltd	Limited Liability	Commercialization

AVIATION

NO	PARASTATALS	ENABLING ACT	PRIVATIZATION/ COMMERCIALIZATION
5	Federal Airport Authority of Nigeria	Act 9 of 1996	Privatization
6	Nigeria Airways Limited	Limited Liability	Privatization

COMMERCE AND TOURISM

NO	PARASTATALS	ENABLING ACT	PRIVATIZATION/ COMMERCIALIZATION
7	Nigeria Hotels Ltd	Limited Liability	Privatization
8	Festac 77 Hotel Ltd	Limited Liability	Privatization

COMMUNICATIONS

NO	PARASTATALS	ENABLING ACT	PRIVATIZATION/ COMMERCIALIZATION
9	Nigeria Telecommunication Limited	Limited Liability	Privatization
10	Nigeria Mobile Telecommunication	Limited Liability	Privatization
11	Nigeria Postal Service	Act 41 of 1992	Commercialization

NO	PARASTATALS	ENABLING ACT	PRIVATIZATION/ COMMERCIALIZATION
12	Tafawa Balewa Square Investments Ltd	Limited Liability	Commercialization

EMPLOYMENT, LABOUR AND PRODUCTIVITY

NO	PARASTATALS	ENABLING ACT	PRIVATIZATION/ COMMERCIALIZATION
13	Nigerian Social Insurance Trust Fund	Act 60 of 1993	Commercialization

FINANCE

NO	PARASTATALS	ENABLING ACT	PRIVATIZATION/ COMMERCIALIZATION
14	NICON Insurance	LFN Cap 263	Privatization
15	Nigerian Reinsurance Company Ltd	LFN Cap 325	Privatization
16	Assurance Bank for Commerce & Industry	LFN Cap 296	Commercialization
17	Assurance Bank Ltd (Former Arab Bank)	Limited Liability	Privatization
18	FSB International Bank (NNPC/NMA/etc Shares	Limited Liability	Privatization
19	Afribank Nigeria Ltd (BIAO Shares)	Limited Liability	Privatization

INFORMATION

NO	PARASTATALS	ENABLING ACT	PRIVATIZATION/ COMMERCIALIZATION
20	Daily Times Nigeria Plc	NICON Acquisition	Privatization
21	Federal Radio Corporation of Nigeria	Act 8 of 1978	Privatization
22	New Nigerian Newspaper Ltd		Privatization
23	News Agency of Nigeria	Act 19 of 1976	Commercialization
24	Nigerian Television Authority	Act 24 of 1977	Commercialization

Appendix 5

INDUSTRIES

NO	PARASTATALS	ENABLING ACT	PRIVATIZATION/ COMMERCIALIZATION
25	National Fertilizer Company	Limited Liability	Privatization
26	Federal Super-phosphate Fertilizer Co. Ltd	Limited Liability	Privatization
27	Nigerian National Tools Co. Ltd	Limited Liability	Privatization
28	Nigeria National Paper Manufacturing Co.	Limited Liability	Privatization
29	Nigeria Newsprint Manufacturing Co. Ltd	Limited Liability	Privatization
30	Sunti Sugar Company Ltd, Bachita	Limited Liability	Privatization
31	Ashaka Cement Plc	Limited Liability	Privatization
32	Benue Cement Plc	Limited Liability	Privatization
33	Cement Company of Northern Nigeria Plc	Limited Liability	Privatization
34	Nigeria Cement Company Ltd Nkalagu	Limited Liability	Privatization
35	Calabar Cement Company	Limited Liability	Privatization
36	Anambra Motor Manufacturing Co. Ltd	Limited Liability	Privatization
37	Leyland Nigeria Ltd	Limited Liability	Privatization
38	Nigeria Truck Manufacturing Co. Ltd	Limited Liability	Privatization
39	Peugeot Automobile of Nigeria Ltd	Limited Liability	Privatization
40	Volkswagen of Nigeria Ltd	Limited Liability	Privatization
41	Steyr Nigeria Ltd	Limited Liability	Privatization
42	Nigeria Romania Wood Industries Ltd	Limited Liability	Privatization
43	West African Portland Cement Plc	Limited Liability	Privatization

Appendix 5

PETROLEUM RESOURCES

NO	PARASTATALS	ENABLING ACT	PRIVATIZATION/ COMMERCIALIZATION
44	Nigerian National Petroleum Corporation	Limited Liability	Privatization
45	Port Harcourt Refinery & Petrochemicals Ltd	Limited Liability	Privatization
46	Warri Refinery and Petrochemicals Ltd	Limited Liability	Privatization
47	Kaduna Refinery and Petrochemicals Ltd	Limited Liability	Privatization
48	Eleme Petrochemical Company Ltd	Limited Liability	Privatization
49	Nigeria Petroleum Development Co. Ltd	Limited Liability	Privatization
50	Nigeria Gas Company Ltd	Limited Liability	Privatization
51	Pipeline Products Marketing Co. Ltd	Limited Liability	Privatization
52	African Petroleum Plc	Limited Liability	Privatization
53	Unipetrol Plc	Limited Liability	Privatization
54	National Oil & Chemical Marketing Plc	Limited Liability	Privatization
55	Dresser Nigeria Ltd	Limited Liability	Privatization
56	Solus Scholl Nigeria Ltd	Limited Liability	Privatization
57	ACM Nigeria Ltd	Limited Liability	Privatization
58	Bakar Nigeria Ltd	Limited Liability	Privatization
59	Sedco Forex Nigeria Ltd	Limited Liability	Privatization
60	Flopetrol Nigeria Ltd	Limited Liability	Privatization
61	Schlumberger Wise Line Co.	Limited Liability	Privatization
62	Dowell Schlumberger Nigeria Ltd	Limited Liability	Privatization
63	Key Drill Nigeria Ltd	Limited Liability	Privatization
64	Baroid Nigeria Ltd	Limited Liability	Privatization
65	D.C.P. Ltd	Limited Liability	Privatization

Appendix 5

POWER & STEEL

NO	PARASTATALS	ENABLING ACT	PRIVATIZATION/ COMMERCIALIZATION
66	Steel Rolling Mills, Oshogbo	Act 60 of 1970	Privatization
67	Steel Rolling Mill, Jos	Act 60 of 1970	Privatization
68	Steel Rolling Mill, Katsina	Act 60 of 1970	Privatization
69	Delta Steel Company Ltd	Limited Liability	Privatization
70	Ajaokuta Steel Company Ltd	Limited Liability	Privatization
71	Aluminium Smelter Company Ltd	Limited Liability	Privatization
72	National Iron Ore Minin Company Ltd	Act 60 of 1970	Privatization
73	National Electrical Power Authority	LFN Cap 256	Privatization

SOLID MINERALS

NO	PARASTATALS	ENABLING ACT	PRIVATIZATION/ COMMERCIALIZATION
74	Nigerian Mining Corporation	Act 39 of 1972	Privatization
75	Nigerian Coal Corporation	LFN Cap 299	Privatization
76	Nigeria Uranium Mining Co. Ltd	Limited Liability	Privatization

TRANSPORT

NO	PARASTATALS	ENABLING ACT	PRIVATIZATION/ COMMERCIALIZATION
77	Nigeria Ports Authority	LFN Cap 361	Commercialization
78	Nigeria Railway Corporation	LFN Cap 323	Commercialization
79	Nigerdock Ltd	Limited Liability	Privatization
80	NAHCO	Limited Liability	Privatization

WATER RESOURCES

NO	PARASTATALS	ENABLING ACT	PRIVATIZATION/ COMMERCIALIZATION

81	River Basin & Rural Development Authority (12 in number)	LFN Cap 396	Commercialization

Appendix 5

NO	PARASTATALS	ENABLING ACT	PRIVATIZATION/ COMMERCIALIZATION
82	Federal Mortgage Bank of Nigeria	Act 82 of 1993	Commercialization
83	Federal Mortgage Finance Limited	Limited Liability	Commercialization
84	Federal Housing Authority	Act 40 of 1973	Commercialization

AFRICAN INVESTMENTS

NO	PARASTATALS	ENABLING ACT	PRIVATIZATION/ COMMERCIALIZATION
85	Save Sugar Company	Limited Liability	Privatization
86	Onigbolo Cement	Limited Liability	Privatization
87	Royal Swaziland Sugar	Limited Liability	Privatization
88	Chemical Company, Senegal	Limited Liability	Privatization

The enterprise can be broadly grouped into two:-

i) Those operating in competitive markets where on regulation of price or market behaviour is of primary concern to government.

ii) Those utilities and other firms operating in monopoly or near monopoly markets where public interest regulation is necessary

Accordingly, the Implementation of privatization programme would in some cases require sector reform and restricting, prior to or side-by-side with the divesture transaction. In the monopoly sectors like electric power and telecommunications, sector reforms would be undertaken in a logical sequence as follows:-

i) **Policy Formulation of Review:** Sector policy would be proposed, debate with all stakeholders and published. In the event that sector policy is in place, would be reviewed and updated to support the success of the privatization programme.

ii) **Legal/Regulatory Framework Design:** As a corollary to the above, new laws and regulations encouraging demonopolization and competition would need to be designed, debated with stakeholders and enacted, in support of the privatization and liberalization programme. The new rules and regulations would establish, among others.

* An independent sector regulator and rules for licensing;

* Social obligations to the poor, rural areas and other political objectives of government;

* A regime for regulation of tariff; and

* Rules of interconnection, cooperation and competition.

iii) **Restructuring and Liberalization:** This would entail opening up the sector to competition based on laws, regulations, licensing rules and obligations already established under (iii) above under Nigeria Company Law and investment incentives, wholly-owned subsidiaries of foreign companies may incorporate in Nigeria and be eligible for licensing and non-discriminatory treatment.

iv) **Privatization Transaction:** This is a two stage process which involves first the actual transfer of substantial equity stake plus management control of the public enterprise to a strategic investor, followed by an initial public offer of another block of shares on Nigeria and international capital markets.

Core investors will be selected in an open, international competitive bidding process, followed by negotiations with not more than three best bidders'. The next section describes the rationale for, and expected qualifications of core investor.

Appendix 5

CORE GROUPS/STRATEGIC INVESTORS

Core Investors or Strategic Investors can be described as formidable and experienced corporations or consortia with the capabilities for adding value to an enterprise and making operate profitably in the face of international competition. They should posses the capabilities of turning around the fortunes of such an enterprise, if by the time of their investment, the enterprise is unhealthy. The major characteristics that distinguish Strategic/Core Group Investors are:-

a) **Technical Know-How:** They must posses the technical know-how in relation to the enterprises they with to invest in. for example, a Core Investors into a Cement Company must posses or have access to cement technology expertise with regards to optimal use of the machinery, maintenance of such machinery and other technical aspects such as procurement of raw materials and the like.

b) **Financial resources:** The Core Investors must possess the financial muscle, not only to pay a competitive price for the enterprise they wish to buy into, but also to turn around it fortune, suing their own resources without relying on shareholders for funds. Each Core/Strategic Investor is expected to prepare a short/medium/long term plan for the development of the enterprise and indicate how it will be financed.

c) **Management Skills:** The Core Investor must have the prove management skills to run that type of enterprise profitably in a competitive environment where market forces largely determine success or failure.

Give the market potentials and asset values of the utilities earmarked for privatization, it has been decided that there is need to engaged core strategic investors initially to turn around the public enterprise before a public floatation is undertaken.

Appendix 5

In consonance with S(4) of Act 28 of 1999, privatized enterprise which requires participation by Strategic Investors will be managed by the Strategic Investors as from the effective date of privatization on such terms and conditions as may be agreed upon. Council is desirous of handing over management control of the enterprise to successful core investors.

CORE INVESTORS SEARCH STRATEGY

Council intends to employ the services of World Class Investment Banks (as Privatization Advisers) in the identification of strategic/core investor is to place advertisement in local and international journals and Magazines inviting strategic investors to submit their expressions of interest to invest in the specified public enterprises. Qualified prospective investors are then supplied with copies of sector laws and regulations, on the privatization legislation and rules, information memorandum and bidding documents on the affected enterprise. At the same time, they are given a specific period within which to undertake due diligence on the subject enterprise and submit bids to the implementation agency for evaluation. Bids are then opened publicly, and bidders may attend if they wish. After opening of their bids and preliminary evaluations, shortlisted bidders would be invested to negotiate the bid contents with the National Council on Privatization. Shortly thereafter, Council will select the Core Investors from among the shortlisted bidders.

PRIVATIZATION ADVISERS

Advisory Services

1) Advertising for advisory services shall be timely to provide sufficient time to prepare preliminary, followed by a comprehensive information memorandum on each of the affected companies for the use of prospective core investors.

However, as indicated above, only applications received from consultants already registered with the BPE would be entertained.

Merit Based Application

2) Expression of Interest (EOI) from prospective privatization advisers should specify the following as bases for prequalification:-

   a) Qualification of staff and their individual experience in handling similar assignments in Nigeria and abroad.

   b) Evidence of track record in a similar industry or transaction in Nigeria or elsewhere in the world.

   c) Intended approach to the assignment (work plan).

   d) Proof of alliances/partnership with other competent domestic and international advisers who have requisite qualification, experience and track record in the industry or transactional type.

Competitive Fee Quotation

3) The shortlisted firms will be required to submit separate technical and financial proposals to BPE. The technical proposal will describe how the assignment will be executed and the persons and other resources to handle it. The financial proposal will quote the fees and expenses to be paid in the services. These will be subject to negotiations, if necessary.

Objective of Evaluation and Selection

4) The two separate proposals will be evaluated and each graded as follow:-

   a) Fees and Expenses quoted in relation to others will be given a weight of 40%. The fees and expense shall consist of base fee and expenses and indicator of success fee.

b) Quality of approach to the assignment: The approach, staffing, equipment and other resources to the execution of the job. Issues to be considered here include local content, development of Nigeria human capital, etc.

In addition, a time limit shall be imposed such that all advisory services should not exceed 6 weeks to be carried out and completed from date of appointment by National Council on Privatization.

The Council intends to use the Technical and Financial Advisers (Privatization Advisers) as the leading light in the identification and assessment of Core Investors. Such advisers know fairly intimately who are the major actors in the different industries and almost invariably they would have dealt with them elsewhere in the world. The Technical Committee of the Council, supported by the Advisers will prequalify and if necessary interview those adjudged suitable for bidding and negotiations. This will culminate in recommendations to be made to the Council for engagement as the Strategic/Core Investor to acquire up to 40% of the equity capital of the affected enterprise in the first instance. Divesture, management, shareholders and other agreement will be signed to protect the enterprise from any interference in business decisions by government after privatization.

The critical areas of interest in negotiations with the potential strategic/core investors are:

a) The price to be paid for the 40% equity to be acquired

b) The term of payments for the shares to be acquired.

c) The expected contribution of the Strategic/Core Investor in the future management of the public enterprise being privatized.

d) The level of participation by Nigerian managers and technology transfer programme.

e) The future development of the public enterprise ad perceived by the Strategic/Core Investor

f) The funding arrangement for rehabilitation, expansion or diversification of the enterprise after privatization.

g) Staff welfare, retraining and development.

IMPLEMENTATION TIME TABLE

Phase I: December 1999 – June 2000

* Banks, Oil Marketing, Cement – N15b

* All advisers local, core investor mostly foreign

Phase II: February 2000 – December 2000

* Hotels, Vehicle Assembly, Fertilizer, Sugar, Paper, Steel, Media, Insurance.

* Core Investors sales only

* Sector reform for Aviation, Telecoms, Power and Downstream Oil and Gas implemented.

Phase III: September 2000 – December 2001

* Telecom, Aviation, Downstream Oil and Gas, Power Distribution, Power Generation, Aluminium, Machine Tool.

* Core Investors sales only

Appendix 5

Phase III b: January 2001 – December 2001

* Hotels, Vehicle Assembly, Fertilizer, Sugar, Paper, Steel, Media, Insurance.
* First Tranche of Cross-border IPO

SECTOR: **AVIATION**

ENTERPRISES: **NIGERIA AIRWAYS LTD**

SKYPOWER & SUBSIDIARIES

NAHCO, FEDERAL AIRPORTS AUTHORITY & SUBSIDIARIES

1.0	Establish Steering Committees
1.1	Appointment/Inauguration
2.0	Policy Formulation/Review
2.1	Appoint Policy Adviser
2.2	Consensus Building/Workshop
2.3	Publish National Aviation Policy
3.0	Legal/Regulatory Framework
3.1	Appoint Adviser
3.2	Draft Legal Framework
3.3	Draft Sector Regulations
3.4	Publish Draft Bill
3.5	National Assembly
3.6	Enact Legal Framework
3.7	Gazette Sector Regulations

4.0	Sector Restructuring/Liberalization
4.1	Appoint Adviser
4.2	Market Structure Design
4.3	Publish Competition/Licensing/Liberalization Rules and Regulations
4.4	Corporatization of PEs and new Companies
5.0	Privatization
5.1	Appoint Adviser
5.2	Shortlist Core Investors
5.3	Issue Information Memorandum
5.4	Due Diligence
5.5	Core Investor Selection
5.6	Initial Public Offer

SECTOR: **COMMUNICATION**

ENTERPRISES: **NITEL**

M-TEL

1.0	Establish Steering Committees
1.1	Appointment/Inauguration
2.0	Policy Formulation/Review
2.1	Appoint Policy Adviser
2.2	Consensus Building/Workshop
2.3	Publish Sector Policy Implementation Guidelines
3.0	Legal/Regulatory Framework
3.1	Appoint Adviser

3.2	Draft Legal Framework
3.3	Draft Sector Regulations
3.4	Publish Draft Bill
3.5	National Assembly
3.6	Enact Legal Framework
3.7	Gazette Sector Regulations
4.0	Sector Restructuring/Liberalization
4.1	Appoint Adviser
4.2	Market Structure Design
4.3	Publish Competition/Licensing/Liberalization Rules and Regulations
4.4	Corporatization of PEs and new Companies
5.0	Privatization
5.1	Appoint Adviser
5.2	Shortlist Core Investors
5.3	Issue Information Memorandum
5.4	Due Diligence
5.5	Core Investor Selection
5.6	Initial Public Offer

SECTOR: **POWER**

ENTERPRISES: **NATIONAL ELECTRIC POWER AUTHORITY (NEPA)**

1.0	Establish Steering Committees
1.1	Appointment/Inauguration

2.0	Policy Formulation/Review
2.1	Appoint Policy Adviser
2.2	Consensus Building/Workshop
2.3	Publish Energy Policy Implementation Guidelines
3.0	Legal/Regulatory Framework
3.1	Appoint Adviser
3.2	Draft Legal Framework
3.3	Draft Sector Regulations
3.4	Publish Draft Bill
3.5	National Assembly
3.6	Enact Legal Framework
3.7	Gazette Sector Regulations
4.0	Sector Restructuring/Liberalization
4.1	Appoint Adviser
4.2	Market Structure Design
4.3	Publish Competition/Licensing/Liberalization Rules and Regulations
4.4	Unbunding and Corporatization of PEs and new Companies
5.0	Privatization
5.1	Appoint Adviser
5.2	Shortlist Core Investors
5.3	Issue Information Memorandum
5.4	Due Diligence
5.5	Core Investor Selection
5.6	Initial Public Offer

Appendix 5

SECTOR: **HOTEL & TOURISM**

ENTERPRISES: **HOTELS (5), TAFAWA BALEWA SQUARE & INVESTMENT LTD (1).**

1.0	Establish Steering Committees
1.1	Appointment/Inauguration
2.0	Policy Formulation/Review
2.1	Appoint Policy Adviser
2.2	Consensus Building/Workshop
2.3	Publish National Tourism Policy Implementation Guidelines
3.0	Legal/Regulatory Framework
3.1	Appoint Adviser
3.2	Draft Legal Framework
3.3	Draft Sector Regulations
3.4	Publish Draft Bill
3.5	National Assembly
3.6	Enact Legal Framework
3.7	Gazette Sector Regulations
4.0	Sector Restructuring/Liberalization
4.1	Appoint Adviser
4.2	Market Structure Design
4.3	Publish Competition/Licensing/Liberalization Rules and Regulations
4.4	Corporatization of PEs and new Companies

5.0	Privatization
5.1	Appoint Adviser
5.2	Shortlist Core Investors
5.3	Issue Information Memorandum
5.4	Due Diligence
5.5	Core Investor Selection
5.6	Initial Public Offer

SECTOR: **INDUSTRIAL/MANUFACTURING**

ENTERPRISES: **SUGAR (4) FERTILIZER (2), AGRO ALLIED (5) ASSEMBLY PLANTS (7), NIGERIA MACHINE TOOLS**

1.0	Establish Steering Committees
1.1	Appointment/Inauguration
2.0	Policy Formulation/Review
2.1	Appoint Policy Adviser
2.2	Consensus Building/Workshop
2.3	Publish National Industrial Policy Implementation Guidelines
3.0	Legal/Regulatory Framework
3.1	Appoint Adviser
3.2	Draft Legal Framework
3.3	Draft Sector Regulations
3.4	Publish Draft Bill
3.5	National Assembly
3.6	Enact Legal Framework
3.7	Gazette Sector Regulations

4.0	Sector Restructuring/Liberalization
4.1	Appoint Adviser
4.2	Market Structure Design
4.3	Publish Competition/Licensing/Liberalization Rules and Regulations
4.4	Corporatization of PEs and new Companies
5.0	Privatization
5.1	Appoint Adviser
5.2	Shortlist Core Investors
5.3	Issue Information Memorandum
5.4	Due Diligence
5.5	Core Investor Selection
5.6	Initial Public Offer

SECTOR: **FINANCIAL SERVICES**

ENTERPRISES: **NICON INSURANCE CORPORATION**

1.0	Establish Steering Committees
1.1	Appointment/Inauguration
2.0	Policy Formulation/Review
2.1	Appoint Policy Adviser
2.2	Consensus Building/Workshop
2.3	Publish National Insurance Policy Implementation Guidelines

3.0	Legal/Regulatory Framework
3.1	Appoint Adviser
3.2	Draft Legal Framework
3.3	Draft Sector Regulations
3.4	Publish Draft Bill
3.5	National Assembly
3.6	Enact Legal Framework
3.7	Gazette Sector Regulations
4.0	Sector Restructuring/Liberalization
4.1	Appoint Adviser
4.2	Market Structure Design
4.3	Publish Competition/Licensing/Liberalization Rules and Regulations
4.4	Corporatization of PEs and new Companies
5.0	Privatization
5.1	Appoint Adviser
5.2	Shortlist Core Investors
5.3	Issue Information Memorandum
5.4	Due Diligence
5.5	Core Investor Selection
5.6	Initial Public Offer

Appendix 5

SECTOR: **BASIC METAL AND MINERALS**

ENTERPRISES: **ALUMINIUM SMELTER CO. AJAOKUTA DELTA STEEL CO., NIGERIAN MINING CORP., COAL CORP., JOS, OSHOGBO, KATSINA STEEL ROLLING MIILS, NIGERIA IRON ORE MINING CO. LTD.**

1.0	Establish Steering Committees
1.1	Appointment/Inauguration
2.0	Policy Formulation/Review
2.1	Appoint Policy Adviser
2.2	Consensus Building/Workshop
2.3	Publish National Steel Policy Implementation Guidelines
3.0	Legal/Regulatory Framework
3.1	Appoint Adviser
3.2	Draft Legal Framework
3.3	Draft Sector Regulations
3.4	Publish Draft Bill
3.5	National Assembly
3.6	Enact Legal Framework
3.7	Gazette Sector Regulations
4.0	Sector Restructuring/Liberalization
4.1	Appoint Adviser
4.2	Market Structure Design
4.3	Publish Competition/Licensing/Liberalization Rules and Regulations
4.4	Corporatization of PEs and new Companies

5.0	Privatization
5.1	Appoint Adviser
5.2	Shortlist Core Investors
5.3	Issue Information Memorandum
5.4	Due Diligence
5.5	Core Investor Selection
5.6	Initial Public Offer

SECTOR: **TRANSPORT**

ENTERPRISES: **NEGERDOCK, NIGERIA RAILWAY CORPORATION, INLAND WATER WAYS AUTHORITY**

1.0	Establish Steering Committees
1.1	Appointment/Inauguration
2.0	Policy Formulation/Review
2.1	Appoint Policy Adviser
2.2	Consensus Building/Workshop
2.3	Publish National Transport Policy Implementation Guidelines
3.0	Legal/Regulatory Framework
3.1	Appoint Adviser
3.2	Draft Legal Framework
3.3	Draft Sector Regulations
3.4	Publish Draft Bill
3.5	National Assembly
3.6	Enact Legal Framework
3.7	Gazette Sector Regulations

4.0	Sector Restructuring/Liberalization
4.1	Appoint Adviser
4.2	Market Structure Design
4.3	Publish Competition/Licensing/Liberalization Rules and Regulations
4.4	Corporatization of PEs and new Companies
5.0	Privatization
5.1	Appoint Adviser
5.2	Shortlist Core Investors
5.3	Issue Information Memorandum
5.4	Due Diligence
5.5	Core Investor Selection
5.6	Initial Public Offer

SECTOR: **MEDIA**

ENTERPRISES: **DAILY TIMES OF NIGERIA PLC, THE NEW NIGERIA NEWSPAPERS LTD**

1.0	Establish Steering Committees
1.1	Appointment/Inauguration
2.0	Policy Formulation/Review
2.1	Appoint Policy Adviser
2.2	Consensus Building/Workshop
2.3	Publish Policy Implementation Guidelines

3.0	Legal/Regulatory Framework
3.1	Appoint Adviser
3.2	Draft Legal Framework
3.3	Draft Sector Regulations
3.4	Publish Draft Bill
3.5	National Assembly
3.6	Enact Legal Framework
3.7	Gazette Sector Regulations
4.0	Sector Restructuring/Liberalization
4.1	Appoint Adviser
4.2	Market Structure Design
4.3	Publish Competition/Licensing/Liberalization Rules and Regulations
4.4	Corporatization of PEs and new Companies
5.0	Privatization
5.1	Appoint Adviser
5.2	Shortlist Core Investors
5.3	Issue Information Memorandum
5.4	Due Diligence
5.5	Core Investor Selection
5.6	Initial Public Offer

Appendix 5

SECTOR: **OIL AND GAS**

ENTERPRISES: **NNPC, PORT-HARCOURT REFINERY & PETROCHEMICALS, KADUNA REFINERY & PETROCHEMICALS, WARRI REFINERY & PETROCHEMICALS, NIGERIA GAS CO., NIGERIA PETROLEUM DEVELOPMENT CO. PPMC ELEME PETROCHEMICALS LTD.**

1.0	Establish Steering Committees
1.1	Appointment/Inauguration
2.0	Policy Formulation/Review
2.1	Appoint Policy Adviser
2.2	Consensus Building/Workshop
2.3	Publish National Downstream Petroleum Policy Implementation Guidelines
3.0	Legal/Regulatory Framework
3.1	Appoint Adviser
3.2	Draft Legal Framework
3.3	Draft Sector Regulations
3.4	Publish Draft Bill
3.5	National Assembly
3.6	Enact Legal Framework
3.7	Gazette Sector Regulations
4.0	Sector Restructuring/Liberalization
4.1	Appoint Adviser
4.2	Market Structure Design
4.3	Publish Competition/Licensing/Liberalization Rules and Regulations
4.4	Corporatization of PEs and new Companies

5.0	Privatization
5.1	Appoint Adviser
5.2	Shortlist Core Investors
5.3	Issue Information Memorandum
5.4	Due Diligence
5.5	Core Investor Selection
5.6	Initial Public Offer

Source: Privatization Handbook, 2nd Edition, Published by National Council on Privatization (MAY, 2000)

Appendix 6

AFRICAN COUNTRIES CURRENTLY UNDERGOING PRIVATIZATION PROGRAMMES OF THE IMF AND WORLD BANK.

NO	COUNTRY	Last year for which data reported	Number of Transaction Reported	Total Reported Sales Values (US & M)
1	Angola	1996	331	25.1*
2	Benin Republic	1996	46	63.5
3	Botswana	-	-	-
4	Burkina Faso	1999	40	23.7
5	Burundi	1997	42	10.8*
6	Cameroon	1998	48	72.0*
7	Cape Verde	2000	46	171.8*
8	Central African Rep.	1993	35	n.r
9	Chad	1996	31	6.5*
10	Comoros	1995	4	0.2*
11	Cong Brazzaville	1996	61	50.0
12	Congo Kinshasa	1996	21	n.r
13	Cote d'voire	2000	105	601.7
14	Djibouti	-	-	-
15	Equitorial Guinea	1995	3	0.2
16	Eritrea	-	-	-
17	Ethiopia	1998	125	203.3
18	Gabon	1997	26	n.r
19	Gambia	2000	34	9.9*
20	Ghana	2000	233	673.7
21	Guinea	1998	117	8.9*

Appendix 6

NO	COUNTRY	Last year for which data reported	Number of Transaction Reported	Total Reported Sales Values (US & M)
22	Guinea Bisau	1995	29	1.3*
23	Kenya	1998	188	248.4
24	Lesotho	2000	21	23.9*
25	Liberia	-	-	-
26	Madagaska	2000	86	42.8
27	Malawi	2000	68	56.9
28	Mali	1994	65	31.8*
29	Mauritania	2000	56	9.9*
30	Mauritius	-	-	-
31	Mozambique	1997	579	217.0
32	Namibia	-	-	-
33	Niger	1995	34	3.5*
34	Nigeria	2000	128	306.9*
35	Rwanda	1996	2	n.r
36	Sao Tome & Principe	1995	9	n.r
37	Senegal	1999	61	412.4
38	Seychelles	-	-	-
39	Sierra Leone	1997	10	n.r
40	Somalia	-	-	-
41	South Africa	1999	13	2,460.5
42	Sudan	1994	32	n.r
43	Swaziland	-	-	-
44	Tanzania	2000	283	246.3*
45	Togo	2000	57	38.7*
46	Uganda	2000	91	149.2*

47	Zambia	2000	268	905.6
48	Zimbabwe	1999	6	165.9
	TOTAL			**7,242.1**

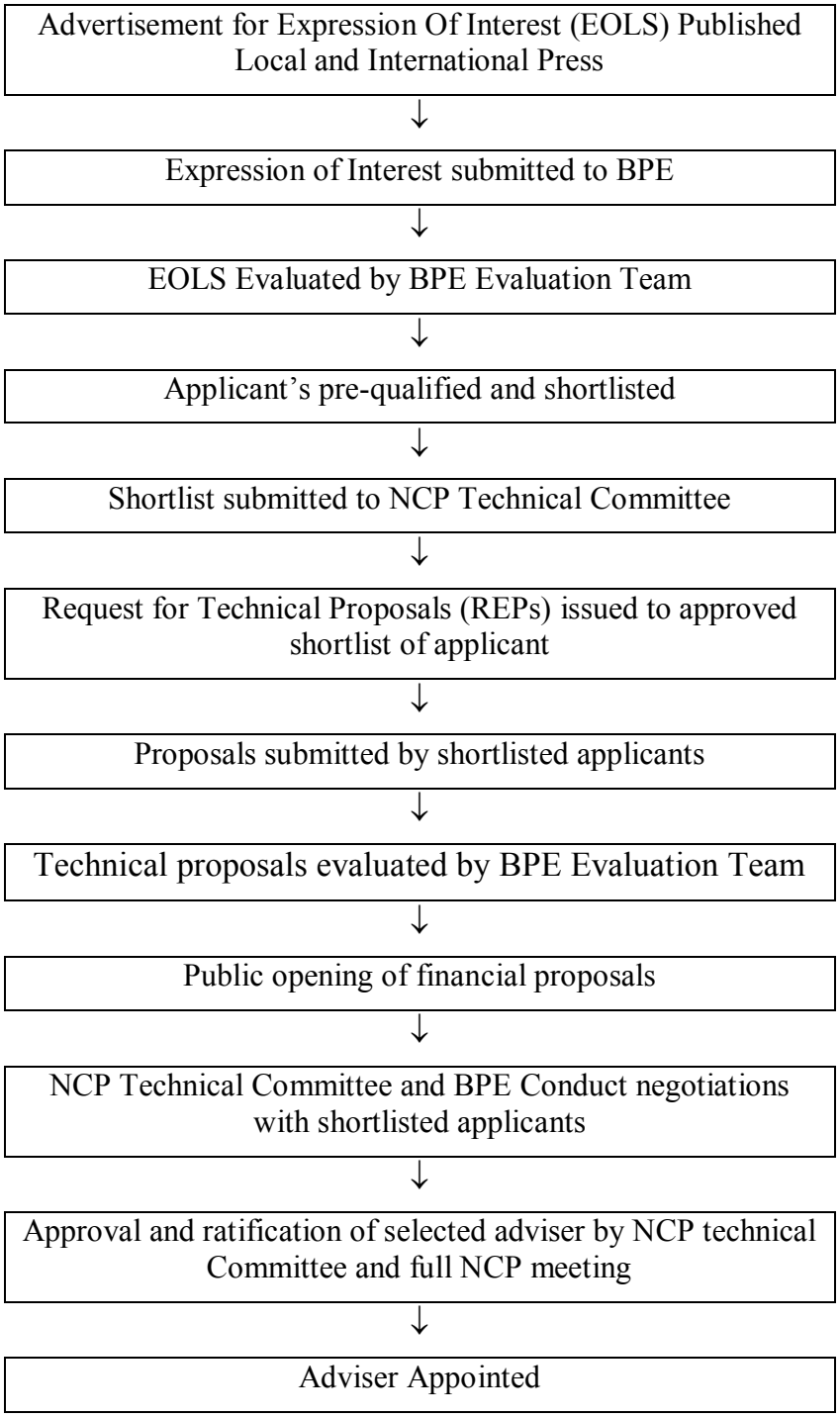
n.r = No sale value reported

* = sale value not reported for all transaction

SOURCE: World Bank Africa Region Privatization Data base (24th August 2001).

Appendix 7

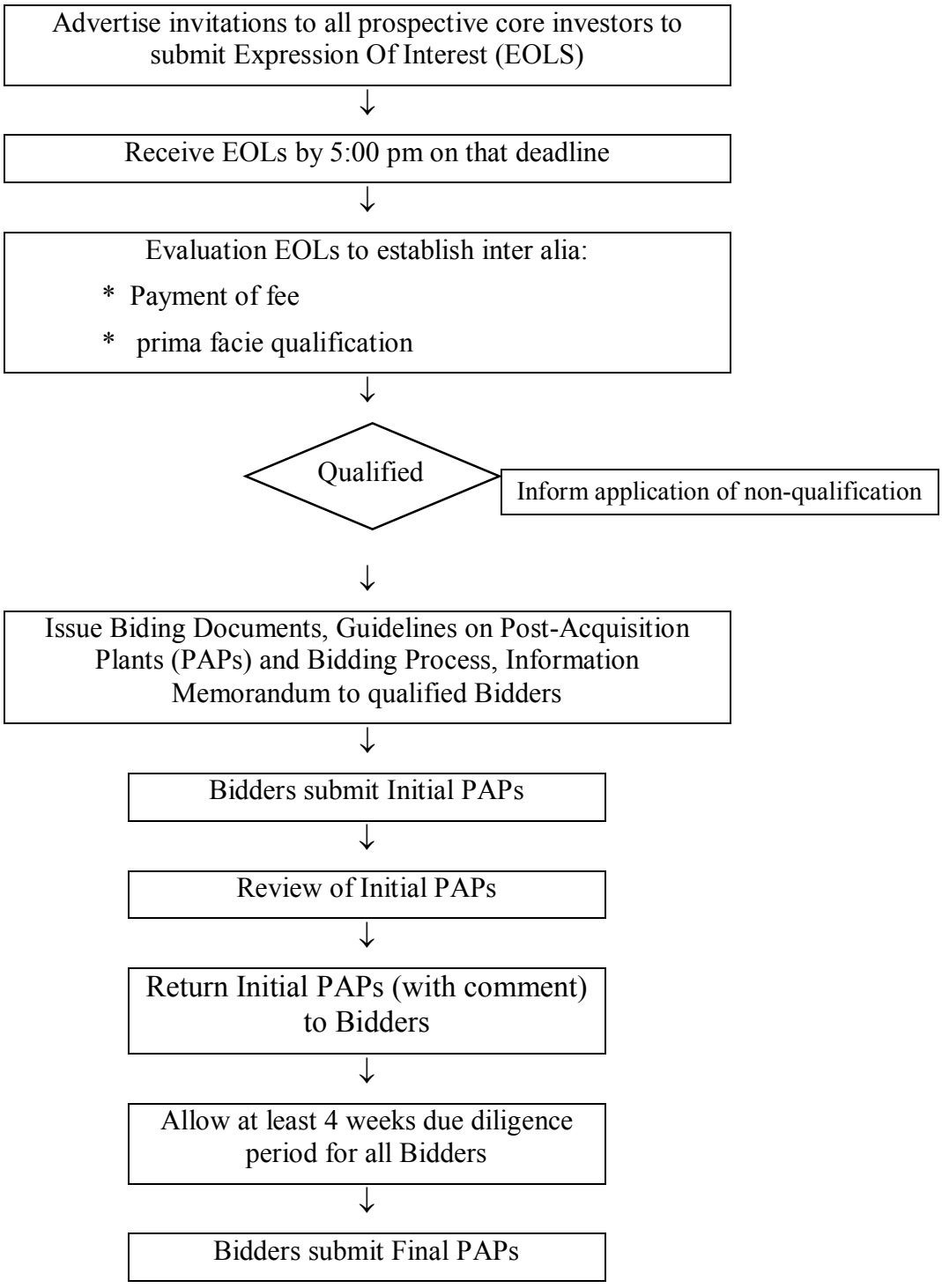
CHART DEPICTING ADVISER SELECTION PROCEDURE



Source: Bureau of Public Enterprises: Annual Report: June 2000 – June 2001

Appendix 8

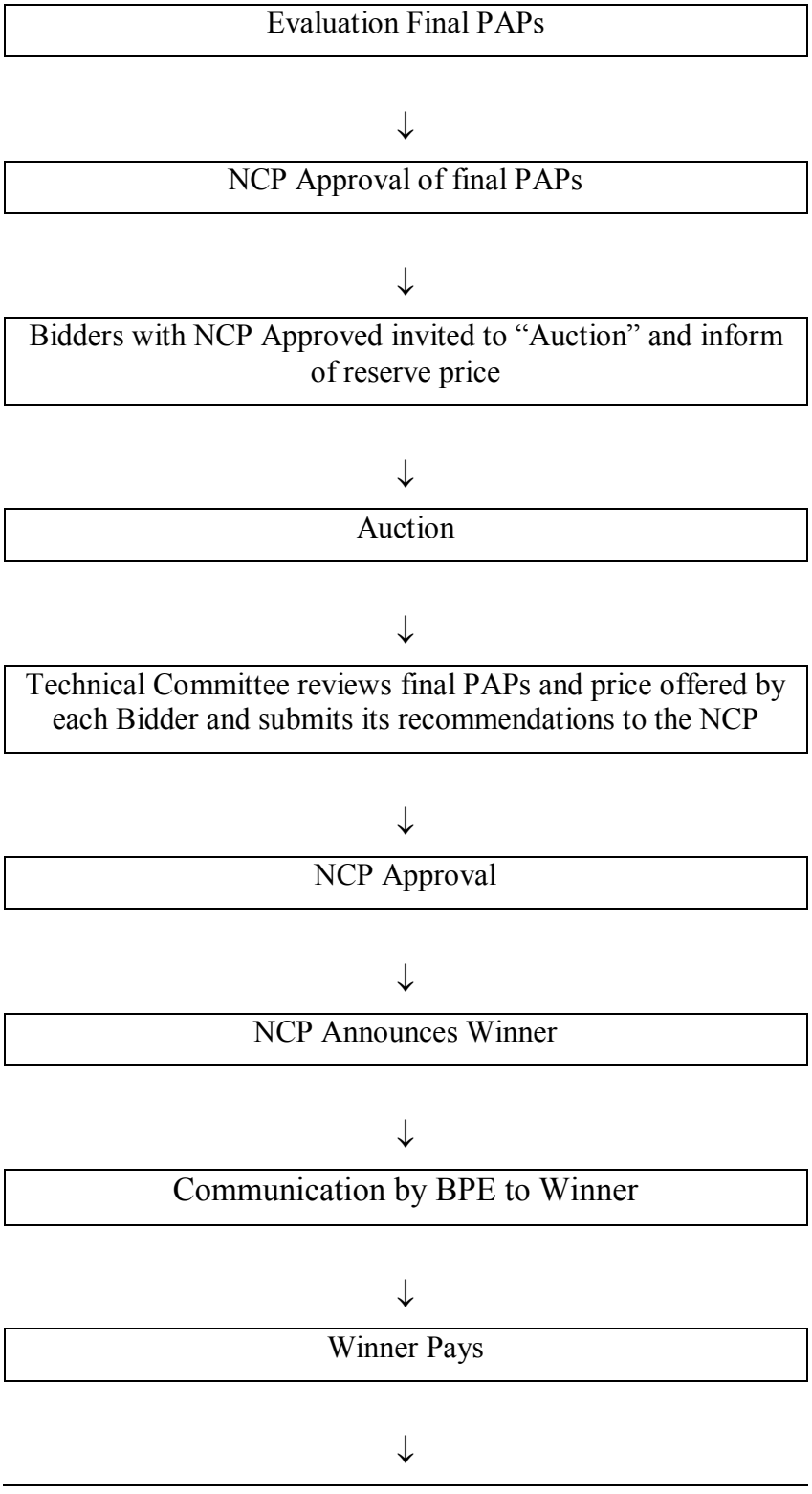
CHART SHOWING THE CORE INVESTOR SELECTION PROCESS – PART I



Source: Bureau of Public Enterprises: Annual Report: June 2000 – June 2001

Appendix 9

CHART SHOWING THE CORE INVESTOR SELECTION PROCESS – PART II



cdv

Commence Transaction Procedures

Source: Bureau of Public Enterprises: Annual Report: June 2000 – June 2001